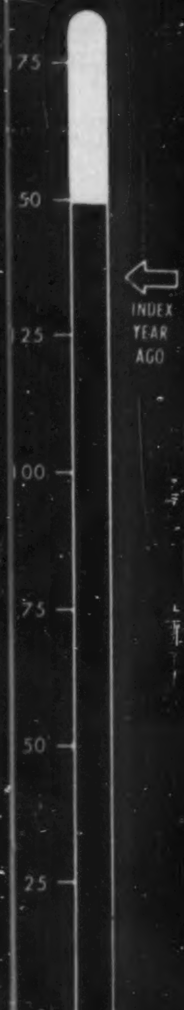
CONTENTS ON PAGE 20

BUSINESS WEEK

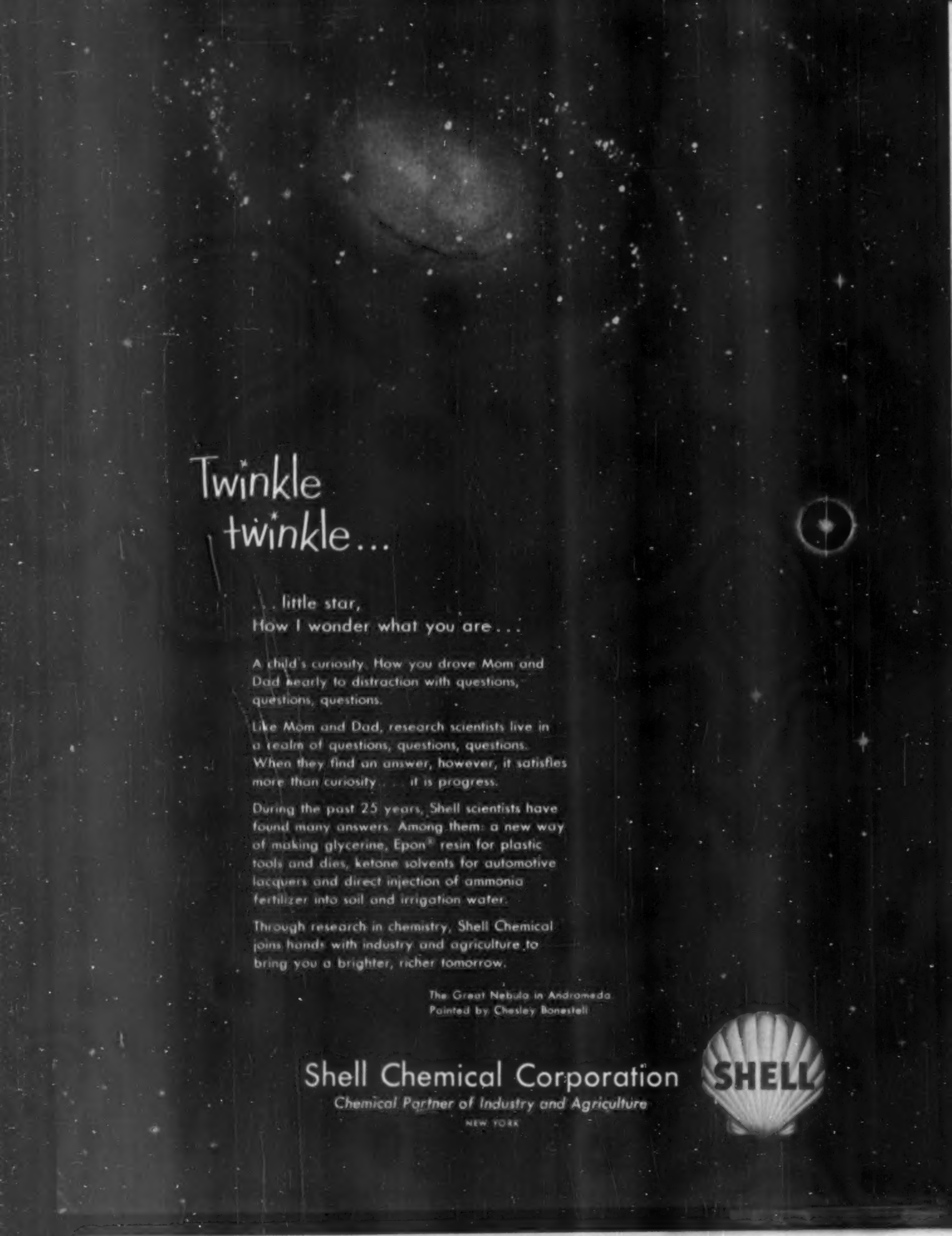


Marion B. Folsom: Time for a fresh start in Welfare (page 60)

A McGRAW-HILL PUBLICATION

DEC. 24, 1955

E B POWER
UNIVERSITY MICROFILMS
313 N 1ST ST
ANN ARBOR MICH


Twinkle
twinkle...
... little star,
How I wonder what you are...
A child's curiosity. How you drove Mom and Dad nearly to distraction with questions, questions, questions.
Like Mom and Dad, research scientists live in a realm of questions, questions, questions. When they find an answer, however, it satisfies more than curiosity... it is progress.
During the past 25 years, Shell scientists have found many answers. Among them: a new way of making glycerine, Epon® resin for plastic tools and dies, ketone solvents for automotive lacquers and direct injection of ammonia fertilizer into soil and irrigation water.
Through research in chemistry, Shell Chemical joins hands with industry and agriculture to bring you a brighter, richer tomorrow.
The Great Nebula in Andromeda
Painted by Chesley Bonestell
Shell Chemical Corporation
Chemical Partner of Industry and Agriculture
NEW YORK
SHELL

RESEARCH KEEPS **B.F.Goodrich** FIRST IN RUBBER

It chews up a river bed

A typical example of B. F. Goodrich improvement in rubber

BENEATH that water, there's a wonderful supply of stones, gravel and sand — all used in making concrete. They scoop them out of the river bed and into the dredge with a series of metal buckets that work like an escalator. Only one trouble.

The heavy load was just too much for the rubber drive belt that keeps the buckets moving. The belt would stretch. Then everything stopped until it was shortened, fastened back together again. For years, it was the same with every belt tried. They all stretched too much, wore out too soon.

Then a B. F. Goodrich man got them to try a Highflex belt—an improved design that has better resistance to strain, practically no stretch, and many other important advantages your distributor will be glad to demonstrate. You can't see this improved B. F. Goodrich belt at work here—it's below decks. But it has been on the job seven years now—longer than any other belt used before. And it has never stretched, never needed to be shortened.

Product improvement like this is always going on at B. F. Goodrich. New ways are constantly being found to make transmission belting, conveyor belts, hose of all kinds work better, last longer. No product is ever regarded as "finished" or standardized.

How this cuts your costs: Because of these improvements and because B. F. Goodrich is one company that will *never* lower its quality standards, you can be sure of top performance and real money savings when you specify B. F. Goodrich. To find out about the latest improvements in the rubber products your company uses, call your BFG distributor or write *The B. F. Goodrich Company, Dept. M-521, Akron 18, Ohio.*

B.F.Goodrich
INDUSTRIAL PRODUCTS DIVISION


what's the "99" doing here ?
99
Tabulations based on the blueprints of many previous hulls will perfect the performance of the ship presently in construction. Shipbuilding salts might drown in this sea of *statistics* if it weren't for the 99 Calculator that Prints.
Speeding up statistical work is easy with a simple 10 key control panel . . . you quickly learn to operate it by touch, gathering amazing speed.
Whether you want to unsnarl building or business mathematics, do it in jig-time with Remington Rand Calculating Machines.
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AIR-MAZING FACTS
BY O. SOGLOW

HOW TO HUSH A HUBBUB. City dwellers have to put up with a lot of noise, but they won't suffer silently. During 1954, New York City police received 288,595 complaints about noise. Though it isn't always easy to quiet people, it *is* easy to hush up engines.

SOUND IDEAS FOR DIESELS. Air intakes of stationary diesel engines are often noisy, causing employee fatigue, annoying neighbors. But Air-Maze filter-silencers hush the hubbub while they clean the air.

MOPPING UP OPERATION! Troublesome water never gets through compressor air lines when they are equipped with Air-Maze pipeline filters. A special whirling action traps the water and a cleanable, all-metal filter unit stops dirt and rust, too.

IF YOU BUILD OR USE engines, compressors, air-conditioning and ventilating equipment, *or any device using air or liquids*—the chances are there is an Air-Maze filter *engineered* to serve you better. Representatives in all principal cities. For condensed product catalog, write Air-Maze Corporation, Dept. C, 25000 Miles Rd., Cleveland 28, Ohio.

AIR-MAZE
The Filter Engineers
AIR FILTERS • SPARK ARRESTERS • LIQUID FILTERS
SILENCERS • OIL SEPARATORS • GREASE FILTERS

Which chain problem is yours?

Your Republic Chain Distributor can come up with the answer...

Is your problem one of corrosion-resistance, such as that solved by the Republic Chain application illustrated at right? Or is hoisting, hauling, holding, towing, bundling? Or is it a selection of chain for use with the product you make?

In any case, you'll want to be sure of your chainmaker. Republic backs its chain distributors with these vital services:

COMPLETE LINE—Your Republic Chain Distributor offers a complete line of every type and size of welded and weldless chain, chain slings, attachments and accessories in all standard and special carbon, alloy and stainless steel analyses.

DEPENDABLE DELIVERY AND SERVICE—His own stocks of chain are backed by Republic Round Chain plants and warehouses strategically located in principal cities from coast to coast. You get exactly the chain you need in a hurry, eliminating costly downtime and delays.

ENGINEERING—He has at his disposal the services of Republic's Field Engineering Department—staffed by competent chain engineers thoroughly trained to handle all types of chain problems.

QUALITY PRODUCTS—When you buy chain from your Republic Distributor, you're assured of a top-quality product in every sense of the word. Republic uses its own ores, makes its own steels, rolls its own bars, draws its own wire. In fact, Republic is the only chain producer who can control quality at every stage of production from raw material to finished product.

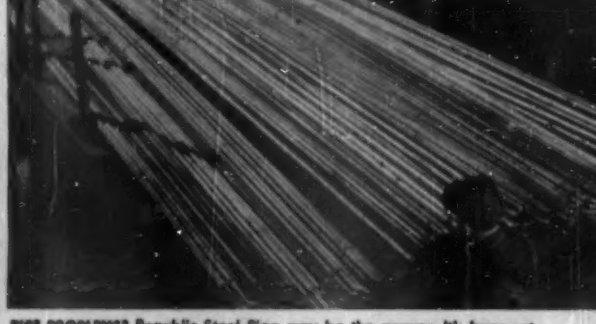
RESEARCH—Your Republic Chain Distributor offers you further assurance of top quality because he's backed by a research program devoted to the continuous task of improving chain. Republic research is always at work, from selection of materials through forming, welding, heat treating to the final inspection of the finished chain.

So, whether your chain problem is corrosion-resistance, materials handling or product applications—call your Republic Chain Distributor. He can come up with the answer. Mail the coupon for the name of your nearby Republic Chain Distributor.

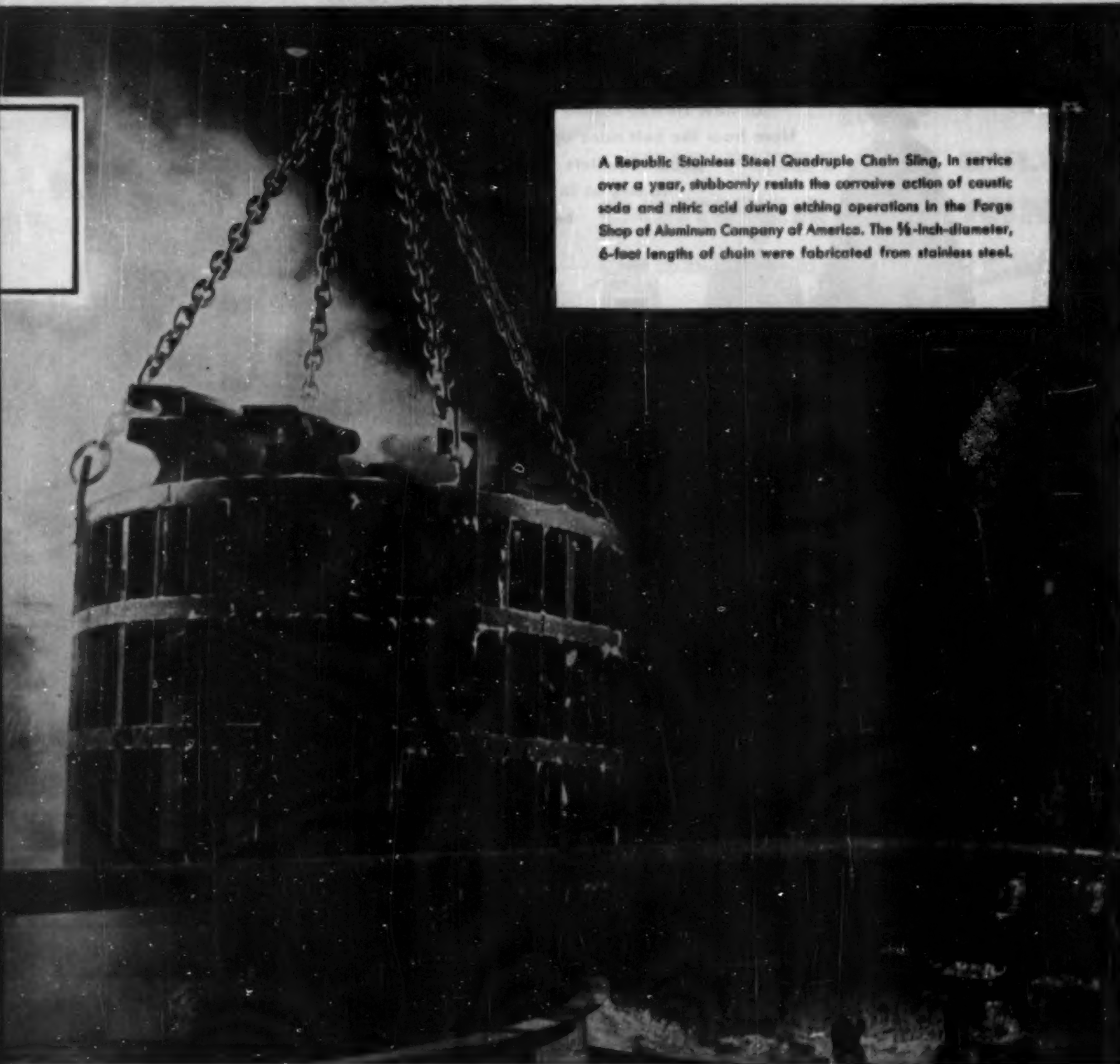
REPUBLIC STEEL

World's Widest Range of Standard Steels and Steel Products

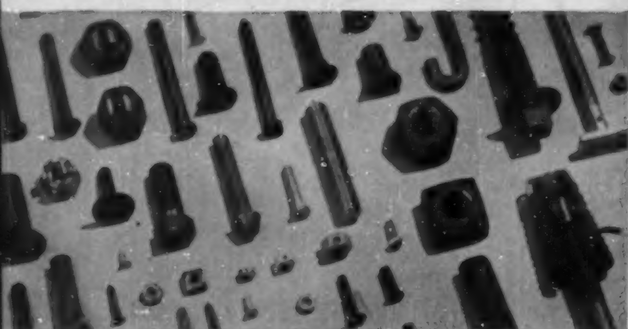
HERE'S THE ANSWER TO THE PROBLEM OF MORE SPACE—Truscon Steel Buildings. Whether you need a single building or a well-arranged group, Republic's Truscon Division can help you select the right layout to meet your requirements. You'll get a building that's fire resistant, well lighted, properly ventilated, easy to maintain. Truscon engineers will help you from beginning to completion.



PIPE PROBLEMS? Republic Steel Pipe may be the answer. It's been satisfying customers for over 40 years. Today, the improved Continuous Butt Weld process makes it better than ever, yet it costs no more than ordinary pipe. Republic Steel Pipe has uniform strength and ductility. It is easily threaded, readily bent. Your Republic Pipe Distributor has it in sizes you want.



A Republic Stainless Steel Quadruple Chain Sling, in service over a year, stubbornly resists the corrosive action of caustic soda and nitric acid during etching operations in the Forge Shop of Aluminum Company of America. The ⅝-inch-diameter, 6-foot lengths of chain were fabricated from stainless steel.



FASTENER PROBLEM? You can get exactly the fasteners you need for assembly and maintenance work from more than 20,000 regular types and sizes made and stocked by Republic. They're always uniform, easy to assemble, tough and strong to withstand shock and vibration. Specify Republic Fasteners on your next order from your distributor.

REPUBLIC STEEL CORPORATION
3136 East 45th Street
Cleveland 27, Ohio

☐ Please send the name of my nearest Republic Chain Distributor.

I am also interested in more information on:
☐ Truscon® Steel Buildings ☐ Steel Pipe ☐ Fasteners

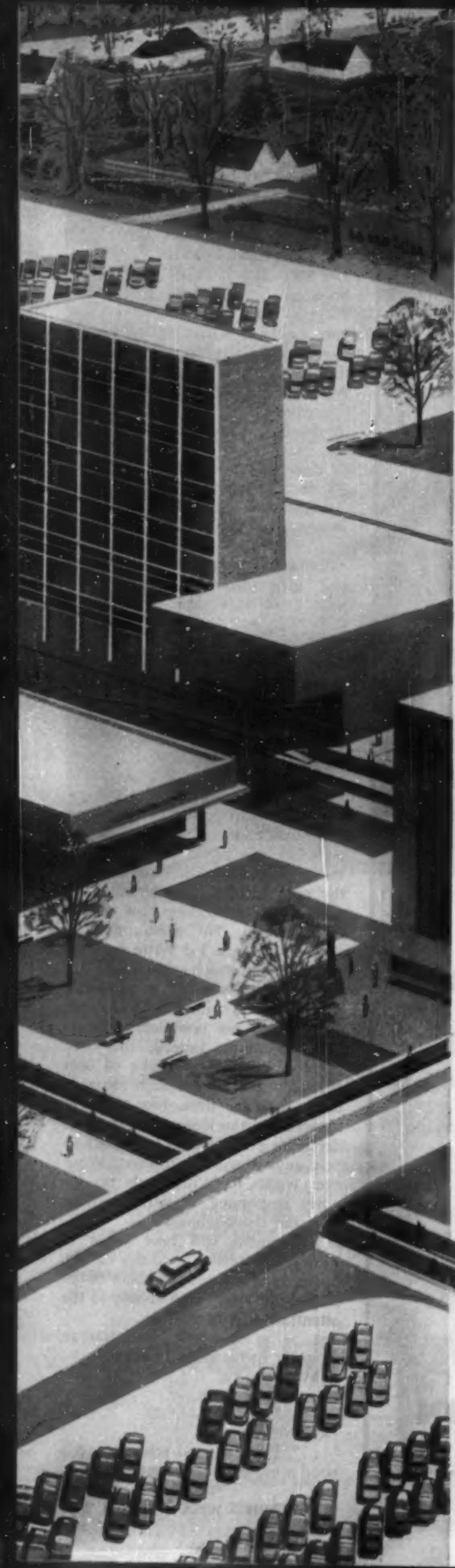
Name__________ Title__________

Company__________

Address__________

City__________ Zone____ State__________

Cutaway shows construction picture of new Hewitt-Robins "Glide Ride". Note how the belt rides upon the small wheeled pallets instead of on rollers as in conventional belt conveyors.



"Glide Ride"

THE FIRST AND ONLY CORNER-TURNING PASSENGER CONVEYOR

Unlike other so-called "moving sidewalks" that are merely adaptations of industrial belt conveyors or moving stairways, the revolutionary new Hewitt-Robins Glide Ride is a true *passenger conveyor* in every sense of the word. It can actually turn corners—make complete circuits—change grades—provide smoother, ripple-free performance—and be designed to unlimited lengths.

Secret of Glide Ride's remarkable performance is its unique design characteristics. Glide Ride consists of an endless train of power-driven wheeled pallets that carry the load. The pallets support a sturdy, endless all-rubber carpet upon which the passengers ride.

Initial installation of a Hewitt-Robins Glide Ride will be made at the new $10,000,000 Dallas airport. More than twice as long as all existing moving sidewalks combined, it will carry outgoing passengers and their luggage directly from ticket counters to three loading piers, incoming passengers from their planes to the terminal building.

From an economic standpoint, Glide Ride offers many benefits. Initial cost and day-to-day maintenance are less. Compared to conventional industrial belt conveyors, Glide Ride requires only half the footage of rubber belting, fewer machinery components, and uses 30% less power.

Both its reduced cost and extreme flexibility make Glide Ride practical wherever pedestrian congestion and mass movement is a problem. What's more, Glide Ride is backed up by the technical experience and nationwide service organization of Hewitt-Robins, originator and world's largest designer and manufacturer of *complete* conveyor systems.

City planning commissions, architects, airport authorities, etc. are invited to obtain complete information about "Glide Ride" by writing direct to our executive offices.

Hewitt-Robins

HR

HEWITT-ROBINS

[illegible]ATED

Executive Offices: [illegible], Connecticut

CONVEYOR BELTING • INDUSTRIAL HO[illegible] MACHINERY
VIBRATING SCREENS • VIBRATING CONVEYORS [illegible] ACTURE,
ENGINEERING and ERECTION of COMPLETE BULK MATERI[illegible]

Concrete bonuses for motorists

You're looking at Tannery Road, an old concrete road near Red Wing, Minn. The original road (central section in the photo) was built in 1911 and was the first concrete pavement laid in Minnesota. It has served motorists with amazing economy.

Since 1911, Tannery Road has carried more and more traffic, heavier and heavier loads. The average daily traffic on the section shown above now is 1,000 vehicles.

Traffic loads like this are far more than the pavement was designed to bear. And the service life has been longer than was expected. Yet it goes right on carrying this extra traffic with very little maintenance expense, while other types of pavement have been rebuilt or resurfaced many times.

Hundreds of miles of concrete roads built decades ago match the performance of Tannery Road. They long ago earned their cost and keep in the gas taxes and license fees that motorists pay to use them—*and they're not through earning yet!*

By continuing to earn annual bonuses for motorists, these old, durable concrete roads help pay for today's new highways. They demonstrate that concrete is the logical choice for the new highway construction planned for America's main roads in the long-range federal highway program. And these new concrete roads promise to deliver even greater bonuses to every highway user because now they can be built to last 50 years and more.

PORTLAND CEMENT ASSOCIATION

33 West Grand Avenue, Chicago 10, Illinois — A national organization to improve and extend the uses of portland cement and concrete .. through scientific research and engineering field work

READERS REPORT

More on Witte

Dear Sir:

I have read your piece on Ed Witte with keen interest [BW—Nov.26'55,p92]. Witte first stirred my admiration long before I ever met him. It was in 1932 when his book on the Government in Labor Disputes was published. To your bare mention of that book I should like to add that it contains one of the earliest of examinations by American economists of the use of injunctions in labor disputes. His treatment of the subject, moreover, was based upon a protracted study of labor-injunction cases and gave evidence that he was capable of doing a deft job at specialized research in labor economics.

PAUL F. BRISSENDEN
PROFESSOR EMERITUS
COLUMBIA UNIV.
NEW YORK, N. Y.

Dear Sir:

. . . Economists selected Ed Witte as head of the Economic Assn. because of his splendid work both as a scholar and as a public administrator. Perhaps because Witte started out as a student of history and spent some years as a public administrator and as a secretary of a congressman before he became a teacher of economics, he has appreciated as have few other economists the importance of familiarity with the complexities of economic life and of understanding how things really work. No economist has done more than Ed Witte to keep economics in touch with reality.

Those who know Witte as a man are impressed with his lavish generosity and his complete absence of selfseeking. Indeed, the only criticism that I can make of him is that he has always been too generous with his time, too ready to respond to the desires of his students for conferences, too ready to help anyone with a problem. Whoever writes to Witte finds his inquiry responded to with startling care and thoroughness.

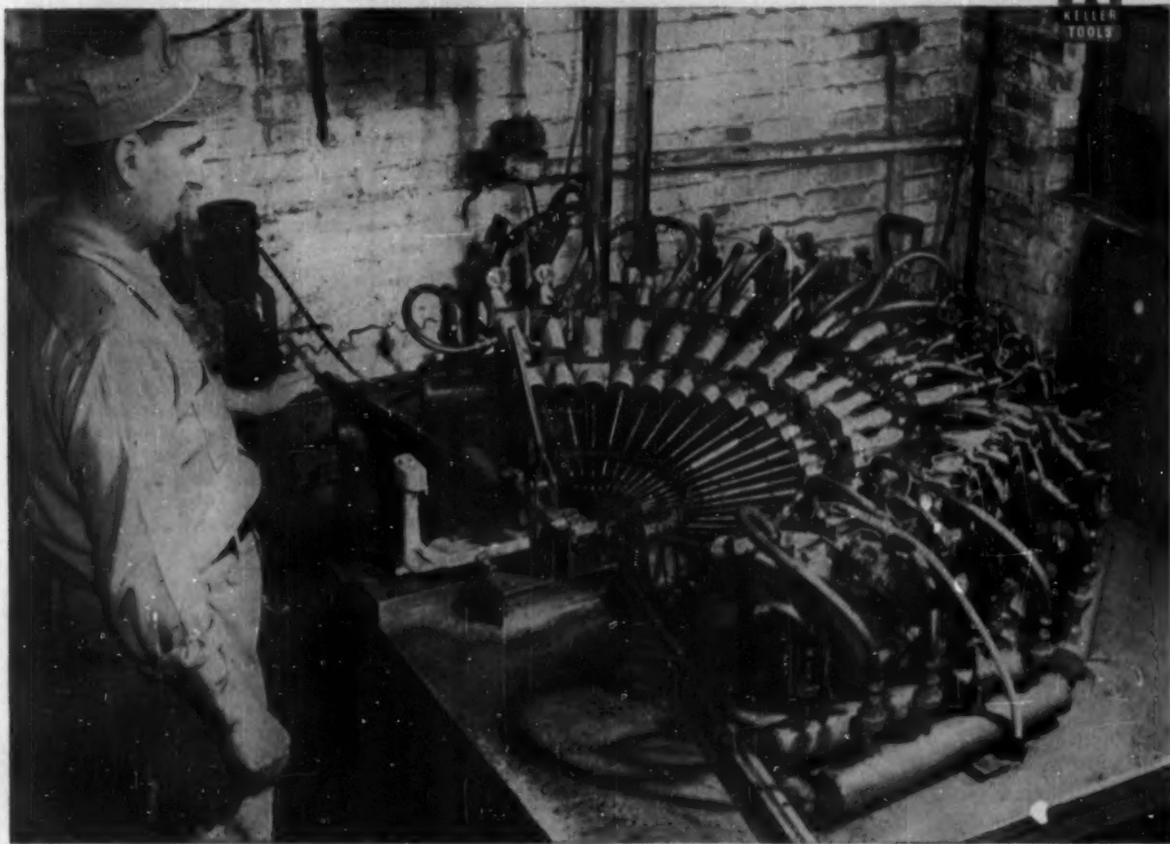
Economists will take pride in having the sterling qualities of one of the most beloved members of the profession brought so vividly to the attention of businessmen.

SUMNER H. SLICHTER
LAMONT UNIVERSITY PROFESSOR
HARVARD UNIV.
CAMBRIDGE, MASS.

Dear Sir:

. . . Ed is a good scholar and a good arbitrator, and a good teacher,

Gardner-Denver MAKES AIR DO MORE AT LESS COST



20 Keller Airfeedrills simultaneously drilling holes in gas burner casting

NOW HE PUSHES A BUTTON—AND 20 HOLES GET DRILLED

...another example of Keller Tool experience

Once, it was a time-consuming job to drill 20 holes in the gas burner casting shown above. The work was fixture held and indexed by hand. The drill press spindle was hand-fed for each of the 20 holes. Then the customer consulted a Keller Tool engineer to work out a new idea.

Today, an operator presses the poppet on a single 4-way air valve —and 20 Keller Airfeedrills* do the whole job in a 40-second cycle! The 20 drills advance, drill the holes, retract and shut off automatically. A setup of series-connected solenoids, one on each tool, actuates retraction of the drills when the last one has completed its stroke.

Efficient mass production is the open secret of America's tremendous industrial progress. Keller Tools—and Keller-trained engineers—are helping our assembly lines achieve new heights of efficiency. Many a manufacturer, seeking better, more economical methods, has found the right answers in Keller Tools and Keller experience. Keller Tool Division, Gardner-Denver Company, Grand Haven, Michigan.

KELLER TOOL DIVISION OF **GARDNER-DENVER**

Multiple Nut Setters · Air Hoists · Air Motors · Screw Drivers · Grinders · Nut Setters · Airfeedrills · Gardner-Denver Compressors and Maintenance Tools

*AIRFEEDRILLS registered trademark of Keller Tool Division, Gardner-Denver Company

WELDED PIPING cuts your costs...

Installation of all-welded piping system, using TUBE-TURN Welding Fittings and Flanges, at Good Samaritan Hospital, Zanesville, Ohio. Architects: Don Carmichael, Jr., Columbus, Ohio; Piping Contractors: Limbach Co., Columbus, Ohio.

How we help hospitals keep up the good service

This expansion project at Good Samaritan Hospital typifies the complexity of hospital services today. Piping must deliver steam for heating, chilled water for air conditioning, water and gas for other services. To make sure of maximum reliability, all piping above 2" is welded, with TUBE-TURN® Welding Fittings used to make directional changes. Such piping is permanently leakproof, and its lifetime economy is a welcome contrast to other rising costs.

When you're approving any new construction or modernization, pay attention to the piping. Make it welded, and make it "TUBE-TURN". Tube Turns, with industry's broadest line of welding fittings and flanges, technical service, and fast local supply, offers you *more for your money*.

® "TUBE-TURN" and "tt" Reg. U. S. Pat. Off.

The Leading Manufacturer of Welding Fittings and Flanges

TUBE TURNS

A DIVISION OF NATIONAL CYLINDER GAS COMPANY

LOUISVILLE 1, KENTUCKY

but what is more important is that he is a great person. It is this fact of being a great person that has led to his fine and unusual influence in so many different activities and to the outstanding respect in which he is held by so many people—professors, students, businessmen, labor leaders, government officials, even editors. . . .

CLARK KERR

CHANCELLOR AT BERKELEY
THE UNIV. OF CALIFORNIA
BERKELEY, CALIF.

Dear Sir:

. . . Your article also quite clearly states Prof. Witte's position as an institutional economist. Economics is much more than econometrics and mathematics. Prof. Witte and the "Wisconsin School" have for a generation emphasized the importance of understanding and gaining insight into the basic institutions which motivate our economic and political activities. "Model-building" contributes to a small degree to such comprehension and insight.

It is a compliment to the economics profession that during these times when such an overwhelming emphasis exists for econometricians that a man of Ed Witte's intellect and character is selected as the President of the American Economic Assn.

WILLIAM HABER

PROF. OF ECONOMICS
UNIV. OF MICHIGAN
ANN ARBOR, MICH.

Dear Sir:

. . . Your recent story concerning Ed Witte has stimulated me to write you concerning the unique experience we in the School of Industrial and Labor Relations at Cornell Univ. had when Ed spent a term with us recently as a Visiting Professor. . . . He gained immediate respect from faculty, students, and townspeople and left a greater mark after one term than most of us can hope to leave after years of work. . . .

M. P. CATHERWOOD

DEAN
NEW YORK STATE SCHOOL OF
INDUSTRIAL AND LABOR RELATIONS
CORNELL UNIV.
ITHACA, N. Y.

Dear Sir:

. . . I know of no teacher who is held in greater esteem and affection by his students. I know of no "professor in government" who has served his country so well in so many ways.

May I also note that Ed was the

These names give you some idea of the companies who buy Cooper-Bessemer engines and compressors to get efficient power at lower cost

J. S. Abercrombie Company
Agra Lite Cooperative
Aiken Towboat Company
AiResearch Manufacturing Company
Allied Chemical & Dye Corp.
Allis-Chalmers Mfg. Co.
Aluminum Company of America
Amerada Petroleum Corporation
American Barge Line
American Cyanamid
American Messer Corporation
American Water Works
Amtorg Trading Corporation
Anglo-Iranian Oil Company
Arab Gasoline Corporation
Arizona Edison Co., Inc.
Arizona Portland Cement
Arkansas Fuel Company
Armco Steel Corp.
Asiatic Petroleum Company
Atlantic Pipeline Company
Atlantic Refining Co.
Atlantic Seaboard Corp.
Atlas Supply Company
Austin Company
Barnsdall Oil Company
Belridge Oil Company
Bethlehem Steel Company
Boeing Airplane Company
Booth Fisheries
City of Brady, Texas
C. F. Braun and Co.
Brea Chemicals Corporation
British Columbia Power Commission
Brown & Root, Incorporated
Bucyrus-Erie Company
Godfrey L. Cabot, Incorporated
Canadian Industries, Ltd.
Canadian Oil Refineries
Canadian Utilities, Inc.
Carbide and Carbon Chemical Corp.
Carnegie Natural Gas
Carter Oil Company
Catalytic Construction Company
Cayuga Rock Salt Company
Celotex Corporation
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Central Kansas Power
Chemical Construction Corp.
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Cities Service Gas Company
City of Cleveland, Ohio
Colorado Interstate Gas Co.
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Borough of Grove City
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Humble & Refining Co.
Hunkin-Conkey Const. Co.
Hydro Carbon Research, Inc.
Imperial Oil Co., Ltd.
Industrial Marine Service
International Petroleum Co., Ltd.
Interstate Oil Pipeline Co.
Government of Israel
Jackson-Hope Towing Co.
Jarecki Manufacturing Co.
Jeffersonville Boat & Machine Co.
Jersey Central Power & Light
Jones & Laughlin Supply Co.
Kansas-Nebraska Natural Gas Co.
W. M. Kellogg Co.
Kentucky-West Virginia Gas Co.
Levingston Shipbuilding Co.
Libbey-Owens Glass Co.
Liberty Dry Dock, Inc.
Lion Oil Co.
Liquid Carbonic Corp.
Lone Star Gas Co.
Louisville Gas & Electric Co.
Lucey Products Corp.
Luders Marine Const. Co.
Lummus Co.
Magnolia Petroleum Co.
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Mining Equipment Corp.
Mississippi River Fuel Corp.
Mississippi Valley Barge Line Co.
Nantucket Gas & Electric
Nashville Bridge Co.
Nat'l. Advisory Comm. for Aeronautics
National Carbon Co.
National Distillers Products Corp.
National Sea Products, Ltd.
The National Supply Co.
New England Car Co.
New Orleans Coal & Bisso Towing Co.
Newport News Shipbldg. Dry Dock Co.
City of New York
New York Central Railroad Co.
N.Y., New Haven & Hartford R.R. Co.
New York Shipbuilding Corp.
New York State Natural Gas Corp.
New York Telephone Co.
Niagara Oil Corp.
Norfolk County Ferries
Northern Natural Gas Co.
Northampton & Bath Railroad Co.
Ohio Fuel Gas Co.
The Ohio Oil Company
Ohio Sand & Gravel Co.
Oil Well Supply Company
Owens Bottle Company
Owens-Illinois Glass Co.
Pacific Boat Building Co.
Pacific Gas and Electric Co.
Pacific Gasoline Co.
Pacific Marine Supply Co.
Pacific National Gasoline Co.
Pacific Oxygen Co.
Pacific Telephone & Telegraph Co.
Palestine Potash, Ltd.
Panama Canal
Pan American Production Co.
Panhandle Eastern Pipeline Co.
Parkers Brothers & Company, Inc.
Patapsco Dry Dock Co.
Penn-Jersey Shipbuilding Corp.
Pennzoil Company
Peoples Natural Gas Co.
Permian Basin Pipeline Company
Petroleos Mexicanos
Petroleum Exploration, Ltd.
Petroleum Machinery Corp.
Charles Pfizer & Co., Inc.
Philadelphia Electric Co.
Phillips Oil Co.
Phillips Petroleum Co.
Pittsburgh and West Virginia Gas Co.
Pittsburgh Plate Glass Company
The Preston Oil Co.
J. F. Pritchard & Co.
Process Engineers, Inc.
Procon, Incorporated
Producers Creamery Co.
Pure Oil Co.
Quaker State Oil & Refining Co.
Reedville Oil & Guano Company
Reynolds Metals Co.
Richfield Oil Corp.
River Terminals Corp.
Roberts Towing Co.
Roots-Connersville Blower Corp.
Rowan Drilling Co.
Royalite Oil Co., Ltd.
Rubber Reserve Co.
St. Louis Car Co.
St. Louis Shipbuilding & Steel Co.
Salt Lake Pipe Line Co.
San Manual Copper Co.
Saskatchewan Power Corp.
Scott Paper Company
Seaboard Oil Co.
Sears, Roebuck & Co.
Shamrock Oil and Gas Corp.
Shell Chemical Corp.
Shell Oil Co., Inc.
Shell Petroleum Corporation
Shell Pipeline Corp.
Sinclair Gas & Oil Co.
Skelly Oil Co.
Sohio Petroleum Co.
Southern Calif. Edison Co.
Southern Calif. Gas Co.
Southern Carbon Co.
Southern Counties Gas Co.
Southern Natural Gas Co
South Penn Natural Gas Co.
South Penn Oil Co.
Spencer Chemical Co.
Standard Gasoline Co.
Standard Oil and Gas Company
Standard Oil Company of California
Standard Oil Company of Indiana
Standard Oil Company of Louisiana
Standard Oil Company of New Jersey
Standard Oil Company of Ohio
Standard-Vacuum Oil Co.
Stanolind Pipeline Company
Stearns-Rogers Mfg. Co.
Stone and Webster Engineering Corp.
Straits Towing Company
Sulphur Springs Valley Elec. Co-op.
Sun Oil Company
Sunray Oil Corp.
Sun Shipbuilding & Dry Dock Co.
Superior Oil Company
Swift and Company
Tacoma Boat Building Co.
Tennessee Gas & Transmission Co.
Texas Barge Lines Company
The Texas Company
Texas Eastern Transmission Co.
The Texas Eastman Co.
Texas Gas Transmission Corp.
Texas Highway Ferry
Texas-Ill. Natural Gas Pipeline Co.
Texas-New Mexico Pipeline Co.
Thompson Products Inc.
Tidal Oil Co.
Tidewater Associated Oil Co.
Tidewater Transportation Co.
Transcontinental Gas Pipeline Corp.
Trunkline Gas Company
Union Oil Company of California
Union Sulphur Co., Inc.
United Carbon Co.
United Fisheries Co.
United Fruit Co.
United Fuel Gas Co.
United Gas Pipeline Co.
United Service
U. S. Army Transportation Corps.
U. S. Coast Guard
U. S. Department of Interior
U. S. Engineers
U. S. Gypsum Co.
U. S. Maritime Commission
U. S. Navy Department
U. S. Quartermaster Corps.
U. S. Rubber Co.
U. S. Treasury Department
Universal Oil Products Co.
Utah Power and Light Co.
Vancouver Tugboat Co., Ltd.
Ventura Fuel Co.
Virginian Gasoline Oil and Gas Co.
Virginia Smelting Co.
Vulcan Iron Works
Walker & Pray Co.
Ward Ice Industries
Warren Petroleum Corp.
The Wellman Engineering Co.
Westinghouse Electric Corp.
West Texas Gas Co.
Wheeling Steel Corp.
Whiteman Brothers Inc.
Wilshire Oil Co.
Wilson-Snyder Mfg. Co.
Zenith Dredge Co.

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COOPER-BESSEMER
GROVE CITY, PENNA.

COMPRESSORS • DIESELS • GAS ENGINES • GAS-DIESELS
200 to 5000 hp.

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first President of the Industrial Relations Research Assn., which owes so much to the leadership he gave in its organization and early development. . . .

GEORGE W. TAYLOR
PHILADELPHIA, PA.

Dear Sir:

. . . I believe I speak for many others when I say that a finer and more deserving man has never been honored, and those who, like myself, have admired his professional abilities and have known his goodness of heart, can only be grateful to you for telling the world about him.

PHILIP TAFT
CHAIRMAN, DEPT. OF ECONOMICS
BROWN UNIV.
PROVIDENCE, R. I.

Dear Sir:

Your cover and article on Ed Witte reflect for a wider audience the affection and respect of those of us who know him well, be they from management, unions, governmental agencies, the press, or fellow arbitrators or professors. Moderation of spirit, practical judgment and intellectual integrity are the qualities we associate with Ed Witte. He has been both a leader and a symbol of the changed role of the university economist in the American community.

JOHN T. DUNLOP
PROF. OF ECONOMICS
HARVARD UNIV.
CAMBRIDGE, MASS.

Dear Sir:

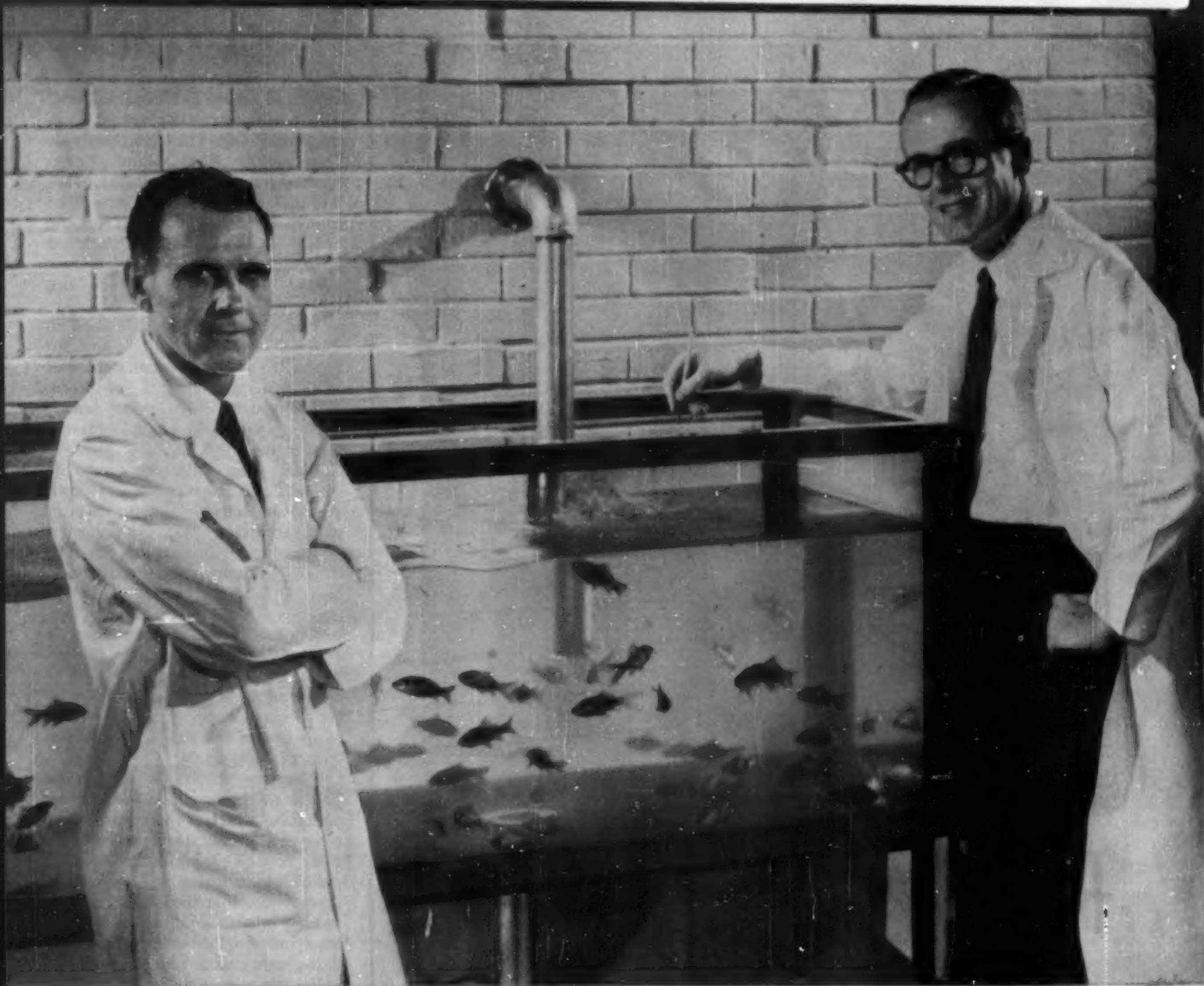
. . . One key to Prof. Witte's career is that he is a humanitarian, in the broadest sense of the word. He has the deepest respect for the integrity and worth of the individual. This, I think, helps to explain his interest in social insurance and welfare legislation, his success as an administrator and negotiator, and his host of warm friends. Prof. Witte is out of step with much of modern economics because it has become excessively dehumanized and unreal, contributing practically nothing to solving the real problems of human beings. The American Economic Assn. has honored itself by honoring Edwin E. Witte.

CHARLES C. KILLINGSWORTH
HEAD, DEPT. OF ECONOMICS
MICHIGAN STATE UNIV.
EAST LANSING, MICH.

Not Shunning Peru

Dear Sir:

Lest any of your readers, being very busy people, should have con-



They Pumped Live Fish . . . to Prove a Point

When Design Engineers at Fairbanks-Morse perfected the non-clogging pump, they pumped live fish to prove its non-clogging performance. For they knew that if they eliminated the restricted passages that cause expensive pump clogging, they could even pump live fish, whole and undamaged.

The result of that Project is the now famous F-M pump that provides non-clogging service for the food industry, municipal authorities and industrial waste engineers.

Only from Fairbanks-Morse can you get the originality and soundness of *new* design that assure such outstanding performance. When next you need a pump . . . or a scale . . . an electric motor . . . or a diesel engine . . . look for the famous F-M Seal and see the difference that quality makes. Fairbanks, Morse & Co., 600 So. Michigan Avenue, Chicago 5, Illinois.

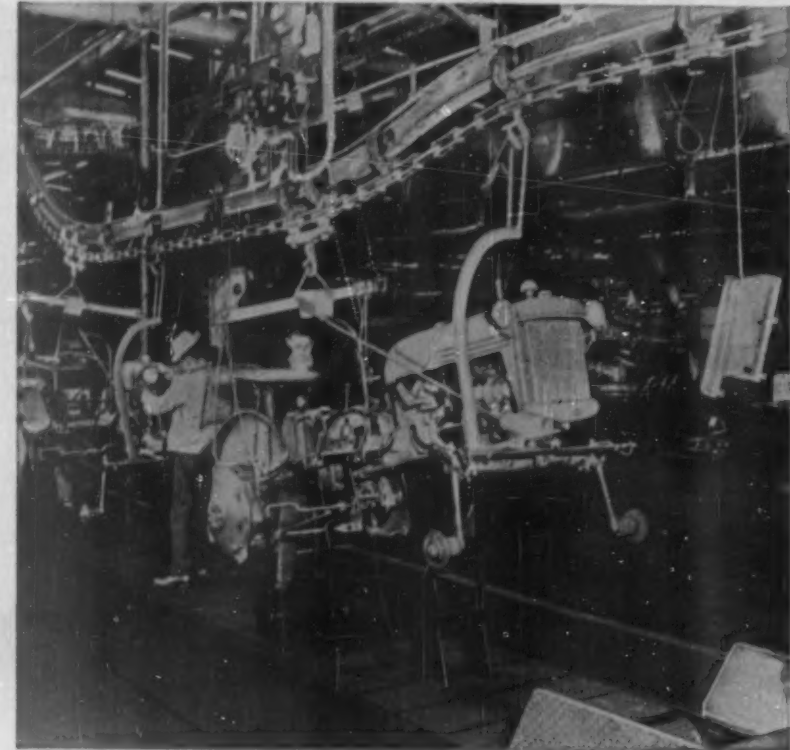
The Secret of F-M non-clogging pump performance is this unique impeller design that permits pumping all solids in suspension—even fish.

The Result is that on installations, like this food processing line, money formerly wasted on pump maintenance due to clogging is now saved.

FAIRBANKS-MORSE

a name worth remembering when you want the best

PUMPS • SCALES • DIESEL LOCOMOTIVES AND ENGINES • ELECTRICAL MACHINERY • RAIL CARS • HOME WATER SERVICE EQUIPMENT • MOWERS • MAGNETOS



Tractors transfer here from floor conveyor to overhead

In a big midwestern plant, tractors are assembled on an MHS pedestal-type floor conveyor. At the point shown above, an MHS overhead conveyor, timed to the floor conveyor, picks up the almost-completed tractors and carries them on for installation of final components and wheels.

It's a smooth, simple transfer, typical of the mechanically paced production flow you'll find in the most efficient plants in any industry.

For materials handling systems and automation that will secure competitive advantages for your company, call in the MHS engineer. He's backed by a 36-year-old organization which has imagination, production understanding, engineering ability, and manufacturing capacity to serve you superlatively. A letter or call will bring him to your office.

MHS

Mechanical Handling Systems Inc.
AND SUBSIDIARIES
4610 Nancy Ave., Detroit 12, Michigan
Offices in Principal Cities
FACTORIES: Detroit, Mich. • Fairfield, Iowa • Albany, N. Y. • Windsor, Ontario

centrated on the title alone of your article concerning Robert P. Koenig, President of the Cerro de Pasco Corp., Old Peru Hand Looks Homeward [BW—Oct.22'55,p142] and thus have gained the superficial impression that this great mining enterprise is turning its back on Peru, let me emphasize for their benefit that such is decidedly not the case.

You have expertly described in this altogether interesting and informative article the stable political and economic climate of Peru, which is unexcelled in the Americas in its encouragement to foreign investment.

Thus, even while the Cerro de Pasco Corp. accelerates its North American activities in furtherance of what it describes as a policy of geographic diversification, it continues assiduously, as your article correctly asserts, to seek every opportunity for broadening and improving its scale of operations in Peru. Witness, for example, its participation with three other U. S. corporations in the vast, new Southern Peru Copper Corp. development in our ore-rich southern district of Toquepala.

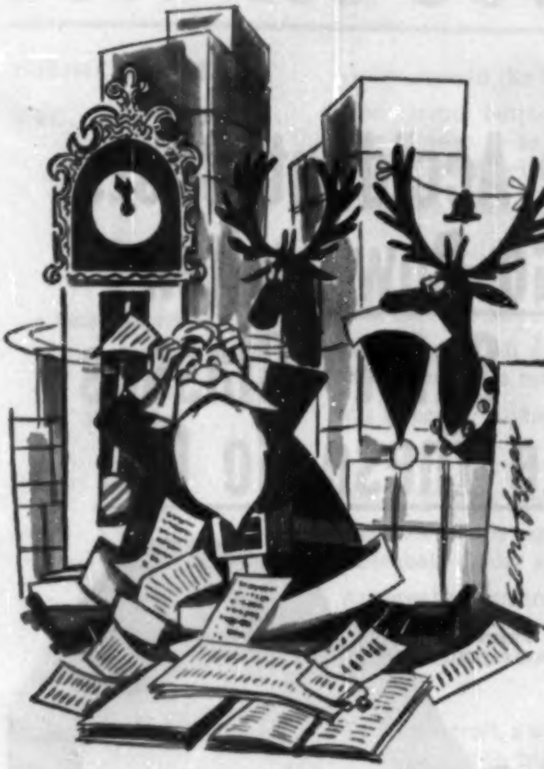
Permit me to emphasize for the benefit of the broad and influential audience which I feel sure your esteemed publication commands, that Peru strongly adheres to a policy of attracting private capital investment, that under this policy, model mining aid oil laws have been initiated, subsidies and price-fixing laws greatly reduced and generous tax incentives given both to stimulate and merit the favorable attention of foreign investors.

Cerro de Pasco has been in the vanguard of those foreign establishments whose managements have found in Peru significant opportunities for economic development which are mutually and increasingly beneficial to themselves and to the great and progressive country which I have the honor of representing.

FERNANDO BERCKEMEYER
PERUVIAN AMBASSADOR TO THE U. S.
WASHINGTON, D. C.

• BW thanks reader Berckemeyer for emphasizing that Cerro de Pasco Corp. was not turning its back on Peru.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



What a fight against time Santa used to go through
On the night when his Christmas deliveries were due!

Here's the dependable way he now beats the clock:
Swift RAILWAY EXPRESS helps in moving his stock!

The big difference is

RAILWAY EXPRESS AGENCY

Especially during the holiday season—when dependable deliveries are so necessary—it pays more than ever to specify Railway Express. Whether your shipment is moving by rail or air, whether you're sending or receiving, Railway Express makes the big difference in speed, economy, and safe, sure delivery.

• • •

Railway Express, through its network of one third of a million miles of co-ordinated rail, air, water, and truck routes, is ready to handle your important holiday traffic.

Again, as a contribution in the public interest, RAILWAY EXPRESS will take your orders for CARE.

...safe, swift, sure

F8100
(METAL)

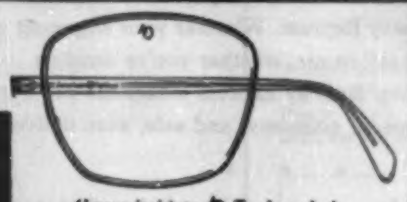
Eye Accident Costs Go Down when AO† Safety Glasses like these Go On!

F9500
(PLASTIC)

The workers illustrated are wearing AO's NEW *safety* glasses. Because these glasses are comfortable and good looking (as well as of the highest quality) they will be willingly worn. BECAUSE THEY WILL BE WILLINGLY WORN THEY WILL PAY FOR THEMSELVES *MANY TIMES OVER* IN THE EYE ACCIDENT COSTS THEY SAVE.

Ask an AO Safety Representative to show you how little *quality* protection costs. Or write American Optical Company, 5112 Vision Park, Southbridge, Massachusetts, for booklet.

NOTE: Male worker is wearing the new AO metal goggle. Lady is wearing the new AO plastic goggle.



Always insist on AO Trademarked Lenses and Frames

American Optical
SAFETY PRODUCTS DIVISION

SOUTHBRIDGE, MASSACHUSETTS • BRANCHES IN PRINCIPAL CITIES
†T.M. REG. BY AMERICAN OPTICAL COMPANY

BUSINESS OUTLOOK

BUSINESS WEEK
DEC. 24, 1955

A BUSINESS WEEK SERVICE

Autos remain the biggest single question mark in our economy.

The current output cut, in and of itself, means very little. This isn't the time of year to be pushing output full tilt, for snowbound customers simply can't be lured into buying full tilt.

Then, too, **some slowing down now may make a healthier market later.**

Final automobile figures for 1955 apparently won't quite add up to 8-million cars produced. Slackened output means that, at least.

But the shortfall won't be enough to talk about. **Call the year's output 7,950,000**—and then round it to 8-million for easy reference.

It's a record, anyhow; we had only to beat 1950's 6⅔-million.

Next question: **Has Detroit altered its first-quarter schedules?**

Heretofore, the explanation for breakneck production has been "to build adequate dealer stocks in all color combinations."

Apparently, dealers will have 750,000 to 800,000 cars on hand at the turn of the year—more than double a year ago. **That's so "adequate" many a dealer is hunting for storage space.**

Talk in Detroit, a week ago, was of January-March auto output in excess of 2.3-million—10% higher than 1955's whopping first quarter.

Nobody's eaten any of those optimistic words. But just suppose it did happen. And suppose retail sales of new cars were to be no better and no worse than in 1955's initial three months.

Then, by March 31, we would add 600,000 more cars to inventory. They'd overflow into cow pastures from New York to San Francisco.

Perhaps the auto industry will find it advisable to relax a little, now that the 1955 sales and production race is all but history.

Chevrolet, with output of more than 1.8-million, **will lead Ford** by 50,000 to 75,000; Chevvie registrations were ahead by some 60,000 through the end of October.

And **Buick had emphatically passed Plymouth** for third place (though, since the new-model year started, it has been neck-and-neck once again).

Actually, **output of several leading producers hit its top weekly rate around mid-November** though little was heard of a slowdown until just now. This was true of Ford, Chevrolet, Plymouth, Olds, and Pontiac.

—•—

Installment credit terms are bound to play a key role in auto sales over the next few months.

Just to parallel 1955's first quarter would call for an addition of $500-million to $750-million to time-paper outstanding on autos. (The rise was $650-million during the 1955 period, and there's no reason to presume that fewer people would be buying on time in 1956.)

Tighter money, in theory, should restrict the installment credit available for car buying, but it has meant little so far.

Banks may tighten up. (There's action in the wind, in fact.) But the finance companies do most of the business (accounting for two-thirds of the rise in installment paper in the last year); and if they do no more than raise interest, the flow will hardly be stemmed.

Consumers really have gone for "big-ticket" items this year:

They've increased their time-payment debts by $4½-billion (and $3.7-billion of that takes the form of auto paper). This rise for installment debt amounts to almost exactly 20%.

Meanwhile, they've hung up the tab rather modestly on other types of goods; charge account debt is below its level when the year started.

Lenders who have been underwriting this year's time-payment splurge now have a **$2¾-billion lien on consumers' monthly income**; that's $400-million a month higher than at this time in 1953.

—•—

Truck output is scoring a strong comeback this year after 1954's relatively unhappy showing (by postwar standards).

Production will be almost exactly 1,250,000 units for 1955; last year's was 1,038,056 and the peak came at 1,417,368 in 1951.

—•—

Steel operations came up to the holidays at the highest level ever.

Last week's output is estimated by the American Iron & Steel Institute at 2,421,000 tons or slightly above rated capacity.

The final two weeks of the year won't be much lower. Nevertheless, the holidays always nip a little off production—even though furnaces have to be operated 24 hours a day every day or shut down entirely.

—•—

In the **textile industry**, prices, new orders, and forward bookings all tell **a fairly convincing story of better days.**

And cotton consumption in November confirms the rising trend: Average use, at 37,072 bales each working day, was slightly better than the previous month and the highest since midsummer, 1953.

Many mills claim to be booked well into next year's second quarter.

—•—

Copper users may feel that they're never going to get enough metal—but they have **rarely received as much as in the last three months.** Deliveries for September, October, and November averaged 140,000 tons.

Even in 1952 and 1953, monthly averages were just over 120,000.

—•—

Prices of fuel oils are likely to rise on the East Coast because they are soft on the Gulf. Sound ridiculous? Well, it isn't.

Burning oils are going begging along the Gulf Coast because **shippers can't afford tanker rates** for moving the stuff around to the Atlantic. (Shipping rates have shot up from $2.85 a ton early in November to $6.70 now, according to McGraw-Hill's Petroleum Week.) Meanwhile, colder-than-average weather and high industrial use have intensified demand.

Imports from the Near East won't help; these take tankers, too.

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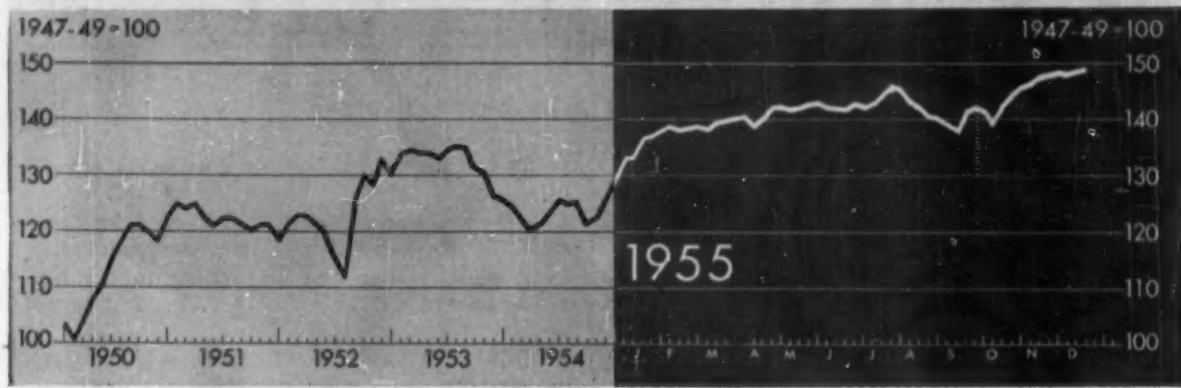
FIGURES OF THE WEEK



Business Week Index (above)

	§ Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Business Week Index (above)	*149.4	†149.1	148.5	134.7	91.6
PRODUCTION					
Steel ingot production (thousands of tons)	2,353	†2,421	2,416	1,726	1,281
Production of automobiles and trucks	204,191	†213,561	213,468	179,850	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$61,578	$54,932	$59,527	$50,319	$17,083
Electric power output (millions of kilowatt-hours)	11,602	11,426	11,149	9,909	4,238
Crude oil and condensate production (daily av., thousands of bbls.)	6,946	6,923	6,851	6,375	4,751
Bituminous coal production (daily average, thousands of tons)	1,793	†1,730	1,670	1,480	1,745
Paperboard production (tons)	296,461	285,519	294,652	252,701	167,269
TRADE					
Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars)	72	73	77	67	82
Carloadings: raw materials (daily av., thousands of cars)	49	48	56	42	53
Department store sales (change from same week of preceding year)	+5%	+3%	+8%	+4%	+30%
Business failures (Dun & Bradstreet, number)	247	219	214	208	22
PRICES					
Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	405.8	405.9	398.7	408.1	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	102.1	101.8	99.3	88.8	††73.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	74.2	73.9	75.2	90.2	††75.4
Print cloth (spot and nearby, yd.)	20.8¢	20.8¢	20.6¢	18.6¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100)	154.8	154.6	154.5	144.7	††76.4
Scrap steel composite (Iron Age, ton)	$52.17	$52.17	$45.83	$32.83	$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.)	43.745¢	44.485¢	43.285¢	30.000¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$2.22	$2.24	$2.23	$2.48	$1.97
Cotton, daily price (middling, 14 designated markets, lb.)	33.76¢	33.62¢	33.64¢	34.00¢	**30.56¢
Wool tops (Boston, lb.)	$1.70	$1.70	$1.70	$2.08	$1.51
FINANCE					
90 stocks, price index (Standard & Poor's)	358.1	361.5	361.7	279.5	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.63%	3.62%	3.59%	3.45%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	3%	3%	2¾–2⅞%	1¼–1⅜%	¾–1%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	58,558	57,256	56,027	57,926	††45,820
Total loans and investments, reporting member banks	85,698	85,451	85,781	86,470	††71,916
Commercial and agricultural loans, reporting member banks	26,317	26,117	25,783	22,359	††19,299
U. S. gov't guaranteed obligations held, reporting member banks	29,559	29,559	30,377	37,174	††49,879
Total federal reserve credit outstanding	26,428	26,274	26,272	26,172	23,883

MONTHLY FIGURES OF THE WEEK		Latest Month	Preceding Month	Year Ago	1946 Average
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)	November	115.0	114.9	114.6	83.4
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49 = 100)	November	111.2	111.6	110.0	78.7
New orders for machinery, except electrical (McGraw-Hill, 1950 = 100)	Nov.	153	135	114	N.A.
Construction & mining machinery	November	172	167	135	N.A.
Engines & turbines	November	166	128	140	N.A.
Pumps & compressors	November	152	152	120	N.A.
Metalworking machinery	November	214	174	86	N.A.
Other industrial machinery	November	124	115	97	N.A.
Office equipment	November	120	119	117	N.A.
Imports (in millions)	October	$1,010	$945	$763	$412

** Preliminary, week ended Dec. 17, 1955.*
† Revised.
†† Estimate.
*** Ten designated markets.*
N.A. Not available.
§ Date for "Latest Week" on each series on request.

in BUSINESS this WEEK . . .

The Pictures — Grant Compton — Cover, 60; Construction Methods and Equipment—96 (top); Dykes, Inc.—100 (top); General Motors—25; International Harvester Co.—96 (bot.), 100 (cen.); I N P—90; Bob Isear—91; Penn Fruit Co.—45; Gene Pyle—50, 51, 54; Sports Illustrated—27; U. P.—30; Vermont Marble Co. —100 (bot.); W. W.—26.

At 10° below zero... or at 100° above...

temperature sensitive nickel-iron alloy stands guard...

watchdog of your watthour meter

Where's *your* electric meter? Outside? In the basement? Utility room? Hallway?

No Matter. Watthour meters aren't museum pieces. They're built to work almost anywhere. And to work accurately.

Temperature changes could affect accuracy, of course. But they don't. Winter or summer, *the watchdog of your watthour meter is its built-in "temperature compensator."*

Simple device, this compensator. Usually a strip of temperature sensitive nickel-iron alloy. Just hooked up across the poles of the horseshoe magnet in the meter.

With every change in temperature, something happens to the strength of that magnet. Sometimes it gets weaker. Sometimes stronger. There are changes in the electrical resistance of the "drag disk" geared to the counting dials. *The temperature sensitive nickel-iron alloy strip serves to "balance out" these changes!*

The use of nickel-iron temperature compensator strip in watthour meters and in automobile speedometers is just one more proof of the value of nickel as an alloying agent. In general, nickel strengthens and toughens other metals, and imparts to them added corrosion resistance.

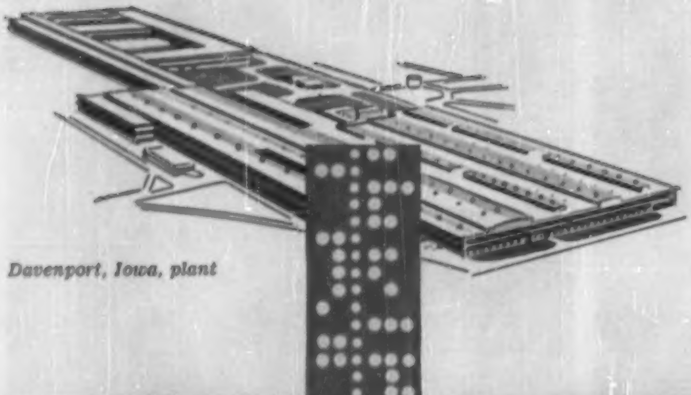
If you have a problem in which corrosion, fatigue, high temperatures or low temperatures are troublesome factors, let's talk about it. Two minds are better than one. We may be able to help you find out how nickel or a nickel alloy can get you out of difficulty without further fuss.

Write for . . . List A of available publications. It includes a simple form that makes it easy for you to outline your problem.

Nickel Alloys Perform Better, Longer

INCO TRADE MARK **THE INTERNATIONAL NICKEL COMPANY, INC.** 67 Wall Street New York 5, N.Y.

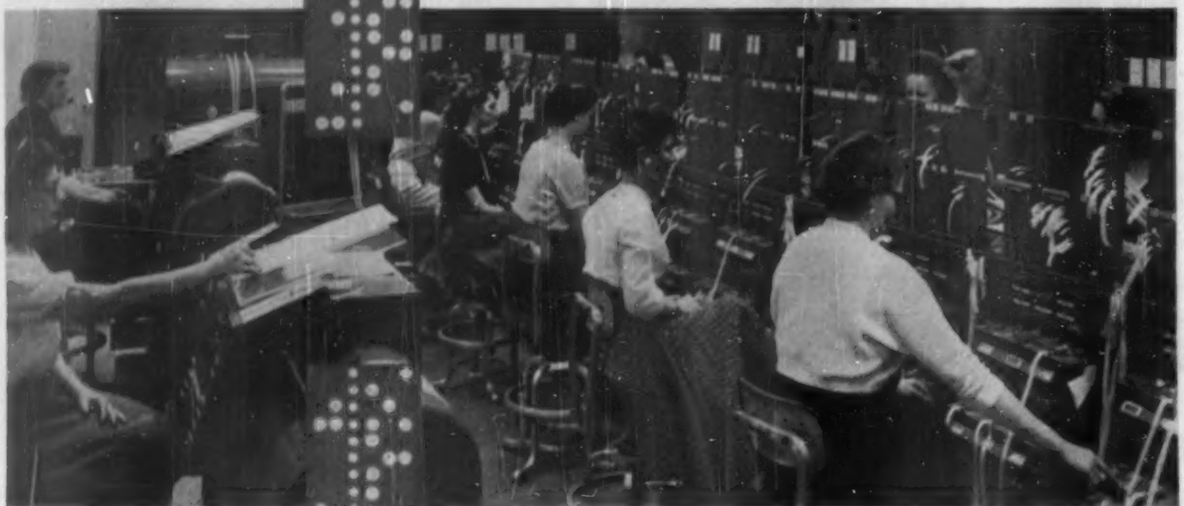
Bell System service helps ALCOA cut order processing time by 40%



Davenport, Iowa, plant

An expanded Bell System teletypewriter network, which speeds orders from sales office to relay center and then to plant assignment—on the same day—is cutting the time and work of order processing by 40% for Aluminum Company of America.

Linking 62 sales offices and 24 plants, the network's nerve center is the Alcoa Relay Center, Pittsburgh. In the Production and Planning Office, each day, up to 1000 orders are processed with money-saving speed.



Teletypewriter Relay Center, Pittsburgh

Formerly, original orders were typed and duplicates distributed by mail. At the various plants, additional retyping and rechecking were required for shipping and invoicing purposes. Now, with the new system, the need for retyping and rechecking has practically been eliminated.

Let a Bell System communications engineer survey your communication needs. There's no obligation, and his recommendations may mean big time and money savings for you. *Call your nearest Bell Telephone business office.*

Los Angeles Sales Office

BELL TELEPHONE SYSTEM

TELEPHONE — TELETYPEWRITER — MOBILE RADIO — TELEPHOTOGRAPH — RADIO AND TELEVISION NETWORKS

BUSINESS WEEK

NUMBER 1373

DECEMBER 24, 1955

Foreign Aid Goes Permanent

● To counter aggressive new Soviet strategy, Eisenhower is committing Republicans to a long-haul program.

● Besides more current funds, he wants a trial 10-year program for underdeveloped countries.

● Proposals to go to Congress reflect Administration's view of post-Geneva world.

The Eisenhower Administration has started to take the wraps off its plans for foreign aid. When the aid package is presented to Congress in the President's State of the Union and budget messages there will be no room for doubt about Eisenhower's intentions. He is determined to make full use of economic and military aid in countering the aggressive new Soviet strategy. To do it, he is committing the Republican Party to a permanent aid program—something that would have seemed fantastic just a few years ago.

Secy. of State John Foster Dulles revealed part of the story this week—the part that has put an end to Treasury hopes that foreign aid could be tapered off. Dulles announced that Eisenhower would ask Congress for $4.9-billion in aid funds for fiscal 1957—$2.2-billion more than last year's appropriation. This is the amount the Administration feels it needs to:

• Maintain next year's foreign aid spending—both military and economic—at the current level of $4.2-billion;

• Keep a backlog of money available to maintain a steady flow of military aid through the long pipeline between contracts for arms and delivery dates years later.

• **Ten-Year Plan**—Dulles and Eisenhower want more than this from Congress. They want authorization, within the over-all aid plan, to launch a 10-year program that could take care of long-term development projects in non-Communist countries. To start with, this would be a billion-dollar affair, requiring appropriations of only $100-million in any one year. But it could be the opening wedge for a 10-year, $10-billion to $15-billion program. Such a program would get back to the Marshall Plan approach—asking Congress to authorize an over-all plan, then making appropriations year by year.

In addition, the White House will ask Congress to approve three special funds—a regional Southeast Asian development fund of $200-million; a similar $100-million fund for the Middle East; and extension of the President's special $100-million emergency fund.

Eisenhower and Dulles believe these proposals will meet the new Soviet challenge.

I. New Answer to Reds

The program fits right into the long-haul approach the Administration has decided to take in coping with the Communist world. In effect, Dulles was saying this week that the Administration has reached a plateau in foreign aid spending of at least $4-billion, just as it has reached a long-haul defense spending plateau of about $35-billion.

The decision reflects Washington's assessment of the world situation following the failure of Geneva to settle any concrete cold war issues, and the launching of Moscow's autumn offensive in the Middle East and South Asia. According to this appraisal, the U.S. can't let down its guard for a minute, nor can it slacken its efforts to strengthen the non-Communist world, economically and politically; both the Communist threat and the U.S. creditor postion in the world make a continuation of these efforts essential. On the other hand, the new Soviet economic offensive still is too amorphous to justify any dramatic change in our aid program—except to give it greater flexibility and a genuine air of permanence.

• **New Pattern**—Eisenhower and Dulles have devised the new aid program to meet the new pattern of Soviet pressures on the non-Communist world.

The military aid will enable the U.S. to shore up the Western alliance systems stretching from the Atlantic through the Middle East to Southeast Asia.

• NATO members will get priority deliveries of some of the latest U.S. weapons, including the Nike, plus an up-to-date radar warning network.

• In the Middle East, METO's defense potential will be strengthened, with Pakistan in the lead because of Moscow's current efforts to bring it under direct military pressure through Soviet control of Afghanistan (BW—Dec.17'55,p137).

• In Southeast Asia, SEATO will be bolstered in preparation for an expected crisis in Indo-China next summer.

Economic aid will back up this network of military organizations. If Eisenhower gets what he wants in economic aid appropriations, plus authority to set up the special 10-year program, Administration officials think they can meet any Soviet challenge in the economic field.

• **Molotov's Impetus**—It is almost an academic question now to ask what the Administration would have done about foreign aid if Molotov had been more conciliatory at the Geneva meeting of foreign ministers. Presumably Eisenhower and Dulles would not have the same feeling of urgency that they have today—or the same leverage in resisting pressures, both within the Administration and within Congress, to make budget-saving cuts in foreign aid.

• **Warnings**—But you can't ignore these two facts in the background of the new program:

• During the last session of Congress, Administration officials did warn Congressional appropriations committees that cuts in the military aid requests would have to be made up this year.

• After the summit meeting in July, Dulles warned that the U.S. would not be able to reduce its defense and foreign aid programs unless the Russians made concessions at the foreign ministers' meetings; at the same time he requested the Pentagon and the In-

ternational Cooperation Administration to ask for enough new money so that foreign aid could be maintained roughly at this year's level of spending.

• **Stronger**—As things stand today, the Administration figures that it is in a stronger position than ever before to get the money it wants for foreign aid, plus approval of some kind of long-term program. Congress is well aware of what's happened since Geneva. And with the leading Democratic Presidential candidates beating the drums for more aid to allies and potential allies, government officials think that only a few Democrats and the extreme rightwing faction of the GOP will actively oppose Eisenhower's aid request.

II. Running Low

Congress, of course, is bound to ask a lot of questions about the sharp jump in new funds Eisenhower wants. Actually the new money isn't required to increase the annual rate of foreign aid spending but to build up the backlog of money available for buying arms, which have to be contracted for years in advance. This kitty of unexpended military funds is being drawn down heavily in the current year. Here's the story:

Last year the Administration requested only $1.7-billion in new money for military aid, although it expected to spend about $2.5-billion. The low request reflected partly the complacency of the time.

It reflected also the fact that military programs had entered a new phase. The expensive conversion of NATO to an air-atomic force had not gone far enough to permit letting of new contracts. The Southeast Asia Defense Organization (SEATO) was in the early planning stages and the Baghdad Pact (METO) was a mere embryo.

Then Congress went on to cut the Administration's request for military aid to $1-billion. This put the backlog of funds in the military aid pipeline at $7.2-billion as fiscal 1956 began last July. Military spending this year will drain this down to $4.7-billion—some $3-billion below what the Pentagon considers as a safe operating backlog for the military pipeline.

That's why the Administration is asking for $3-billion in military aid for the coming fiscal year, even though it expects to spend only $2.5-billion, the same as this year.

• **Economic Side**—It's on the economic side that Eisenhower and Dulles want to increase spending a little. Congress will be asked for $1.9-billion in economic aid, against the $1.8-billion requested last year and the $1.7-billion Congress authorized. Half of the increase is to be earmarked for the Middle East and half to raise the Southeast Asian Regional Development Fund to $200-million, restoring the $100-million that Congress cut from this fund last year.

III. Impact in the East

The new emphasis on flexibility and on the long-range character of the aid program, which reflects the Administration reaction to present Soviet policies, may be as important over the long run as its size.

The proposal for a 10-year $1-billion development program is the most dramatic example of the new trend. This proposal stems directly from the intense study given during the past two months to the difficulties in using a year-to-year aid program in helping with such huge, long-range projects as Egypt's Aswan High Dam, a 15-year $1.5-billion project.

If the 10-year program is adopted it will be possible for Washington to assure foreign countries that U. S. help will be forthcoming on long-term projects, even though all the funds will not be appropriated in any one year. This will facilitate long-range economic planning in the underdeveloped countries—something that has become increasingly urgent in Asia now that India is about to start its second five-year plan and both Burma and Indonesia are launching similar plans.

• **Lower Reserves**—It's a fact of some importance, though only a few New York bankers seem to be aware of it, that the combined foreign exchange reserves of non-Communist Asia have been dropping during the past few years, while Western Europe's have been rising by leaps and bounds. The total—in gold, U. S. dollars, and sterling—is now about $4-billion, almost three-quarters of it held by India and Japan. Four or five years ago the total was $5-billion.

• **Psychology**—Beyond such practical considerations, Administration officials think there is an important psychological angle. They are sure that adoption of a 10-year aid program by the U. S. would have more political impact abroad than spending the same amount of money on a piecemeal, year-to-year basis. Former foreign aid chief Harold Stassen pressed hard last year for the adoption of a long-range aid program for Asia, to be tied in with the British-sponsored Colombo Plan. British experience with this program seems to prove that the long-run, regional approach gets results in South Asia.

In the Middle East, Washington has already taken the starch out of the Soviet bid to build the Aswan High Dam. But it would be better able to clinch this advantage if Congress approves the proposed 10-year development fund.

Why Fed Shifted

Support for Treasury raises some Wall Street eyebrows, marks double break with recent policy.

Wall Street this week was wondering just how much the widely celebrated independence of the Federal Reserve System really amounted to. The questioning started when, without any official notice, the Fed signaled two important changes in the procedures it has adopted since the Fed-Treasury accord of 1951 gave it back the responsibility for monetary policy.

These changes came out in the weekly statement of the Federal Reserve banks. The statement showed that the Fed's Open Market Committee had purchased $167-million Treasury certificates for its own account. This was done in direct support of the Treasury's last refunding operation (BW—Dec.10'55,p74). It marked the first time in over two years that the Fed had lent such support.

Moreover, the purchase of certificates in its supporting action was a break with Fed's operating technique. The Open Market Committee's control over the Fed's security portfolio is one of the most powerful instruments of credit control that the Fed has (BW—Mar.19'55,p110). And for that reason the central bankers always attach great importance not only to how much they buy or sell but also to which particular kinds of securities.

Any purchase of securities adds to the reserves of the banking system, thus increasing the supply of credit; any sale decreases reserves and credit. But the impact of a purchase or sale on prices in the government market will depend to some extent at least on which issues are involved.

From 1953 until last week, the committee dealt exclusively in 91-day Treasury bills in carrying out its operations. But in shifting from "bills only" to certificates, it aroused speculation that it might once again deal in a wide range of government securities.

• **Priority**—There is no doubt that the Fed's supporting action ran counter to the restrictive credit policy it has been following this year. Purchase of the Treasury certificates immediately took some of the strain off the money market. Last week, negative free reserves—the excess of member bank borrowings over their reserves—declined to $389-million, well below the Fed's ceiling.

The Fed did not deny that it had put a priority on the Treasury's needs. But it pointed out that the bill rate hit a 22-year high of 2.61% this week,

and insisted that there would be no return to pre-accord days.

• **Before and After**—Before the accord of 1951, the Treasury demanded—and got—the support of the Fed for all its financing operations. The Fed bought whatever securities were necessary to insure a successful financing, which meant that it rigged the prices and interest rates to suit the Treasury.

When it regained its independence, the Fed still helped the Treasury, but only on an indirect basis. The Open Market Committee spelled out the principles that have guided it since then. It stated that open-market operations should be confined to short-term securities, except to "correct disorderly markets." And in periods of Treasury financing, it declared, there would be no purchases of (1) maturing issues; (2) new issues; or (3) issues of comparable maturity to those being offered or exchanged.

This manifesto had the approval of the Treasury itself. For its part, the Treasury made clear that Fed help was not essential to successful financings. It announced its determination to price issues at the market so that they could stand on their own.

• **Discard**—All this worked nicely until the last financing, when the Treasury had to go into the market at a time when the Fed's credit screws were pinching painfully. Fearing a failure, the Fed and the Treasury discarded their operating principles, at least temporarily.

Most Wall Streeters hoped that this was a one-shot deal. But they were disturbed that the Fed had engaged in what one dealer called "a pure and simple price-rigging operation." And they were concerned that the shift from the "bills only" doctrine might lead to operations in other securities that could upset the bond market.

• **Only—or Usually?**—Privately, some Fed officials contended that the 1953 directive meant the short end of the market, and not specifically bills. Certificates, they declared, come under this category. They consider that the object was "bills usually," not "bills only."

Not all officials agree. The fact is that the system itself has had a long, running dispute over what its operating policy should be, with Fed Chmn. William Martin strongly in favor of bills. Allan Sproul, president of New York's Federal, has been his chief critic within the system. Sproul holds that sticking to bills is putting the Open Market Committee in a straitjacket. It is his view that there are times when the Fed should deal in other securities.

This is what happened last week. The question of independence is still unclear, but there is little doubt that after a two-year experiment with bills, Sproul's position prevailed.

FIREBIRD II, a futuristic car crammed with advanced engineering ideas, hints at . . .

Things GM Is Planning for 1957

Despite its futuristic styling and the fact that it is powered by a gas turbine engine, the most interesting points about this car don't show in the picture. In this Firebird II, General Motors Corp. has wrapped up many of the advanced engineering ideas that have been kicking around Detroit in recent years.

GM says it "has been designed as a four-passenger family car for highway use," and the car actually has been driven on highways in advance of its first public showing next month in New York at GM's annual Motorama. But GM also said it has no plans to put the car into production. That doesn't necessarily hold true, however, for some of the features in the car. You probably will see some of these—or adaptations of them—in GM's 1957 line of cars.

• **Progress Report**—GM labels Firebird II (Firebird I was the corporation's first gas turbine-powered vehicle and was a single-seat car that looked like a grounded rocket aircraft) a progress report.

• **Turbine Engine**—Even the turbine engine is new—for GM. A regenerator preheats the air going to the combustion chambers, using up to 80% of the exhaust heat (and also lowers the temperature of exhaust gases)—a system that has been used by both Chrysler and Ford in their auto gas turbines. This could mean that the turbine engine now has moved a step closer to the piston engine in terms of efficient use of fuel. A turbine without a regenerator is impractical for automobiles, because too much power is lost at the exhaust end. With a regeneration, you catch that exhaust gas and send it through again.

• **Transmission**—Another feature is the automatic transmission placed between the rear wheels; it is electrically controlled through a two-step solenoid—one for drive and one for reverse. Each rear wheel is mounted on a stub axle and is driven through universal joints.

• **Power**—The car also has a central hydraulic system from which is drawn power for steering, braking, windshield wipers, and an air-oil suspension system. The hydraulic system uses two accumulators and a new high-pressure pump to keep the accumulators at a constant 1,000 psi. pressure. Hydraulic pressure is available with ignition on but engine off.

Independent suspension at each wheel is designed not only to give a "softer" ride, but to keep the car level under all conditions. An air-oil unit at each wheel replaces the shock absorber-spring combination. Each unit contains a hydraulic piston and cylinder and rubber diaphragm separator. The cylinder is filled with oil and connected by narrow passages with an oil-filled space outside. The rubber separator confines this oil and itself is surrounded by high-pressure air. This piston rod is connected to the wheel. When the wheel goes over a bump, the piston moves up and squirts oil through the passages; the oil pushes the rubber against the pressurized air and you get a cushioning effect.

• **Brakes**—The wheels have new-type disk brakes—an almost sure feature, along with the suspension system, in 1957 GM cars. The disk is cast iron and rotates with the wheels. For braking, this disk is squeezed between two movable metal pads that are lined with a special friction alloy that is supposed to retain its friction characteristics despite moisture. Between the braking surfaces are air spaces, and blades pump cooling air into these spaces—you'll never get "brake fade" from overheated brakes, says GM.

There also is an a.c. generator with a rectifier to produce direct current for the battery, and a voltage regulator using a transistor as a "trigger" rather than a magnetic coil.

After the Sale, It's

BOSS of the enterprise is Leslie Combs II, who's getting acquainted with the potential moneymaker.

ASSETS: One big, glossy, bay horse that has brought the record price for a racer—$1,251,200.

This week, Leslie Combs II, owner and operator of Spendthrift Farm in Lexington, Ky., took possession of a big, glossy, bay, race horse whose name and gallop is familiar to millions. The horse is Nashua, and the cost of buying him was $1,251,200—the highest price ever paid for a single thoroughbred.

The sale did not end the interest in Nashua that was widespread even before his owner, William Woodward, died in an accidental shooting at the hands of his wife on Oct. 30. It was not only racing fans who watched the horse. Nashua, as the easy winner of $100,000 match race against Swaps last summer, was a name to millions who were no closer to racing than a television set.

In fact, the sale itself aroused renewed interest in Nashua. Even racing men, experienced at judging horseflesh, were a bit surprised at the price he brought. They, along with most people, wondered whether the price could be justified by hopes of future profits—and, if so, why the executors of the Woodward estate sold Nashua.

• **No Blue Chips**—The economics of horse racing have a lot to do with the answers. They dictated the sale, provided the reasons for the record price.

But it was also a very special situation. Great thoroughbreds are few and far between. Normally, a horse of Nashua's caliber does not come on the market at the peak of his racing career. He had justly earned his acclaim as 1955's horse of the year. In his first two years of racing, Nashua earned $945,145, the most any horse has won in a similar period. He was second only to Citation, which, with $1,085,760 total winnings, is biggest winner of all time.

If Woodward had lived, there is no doubt that Nashua would not have been put up for sale. And the rest of Woodward's Belair Stud racing stable would still be intact.

But to the executors, John Ludewig, business manager for the Woodward family, and Charles Mapes, of the Hanover Bank, the decision to sell was fairly cut and dried. They felt that their chief responsibility was to provide a secure income for the three beneficiaries, Woodward's wife and two young sons. Although they knew that the stable had made money during the last two years, mainly due to Nashua's astounding success, they considered that a racing stable was hardly a secure blue chip.

• **Costs and Risks**—Even Belair did not make money consistently. And, with or without Nashua, enormous expenses are involved in maintaining a stable as big as the 62-horse Belair Stud.

It costs about $450 a month to keep a race horse in training, over $100 a month for mares and weanlings. There are traveling expenses, racing fees, insurance, and other costs that are all part and parcel of the horse business. And there's always the risk of disease, or just bad luck. If Nashua broke a leg, the stable would probably be deep in the red.

This was one thing the executors did not want to have happen. Moreover, they needed cash to help pay the estate taxes. Disposing of Nashua and the rest of the stable was the quickest means of raising cash.

• **Planning the Deal**—There was much difficulty in deciding how to dispose of the stable. Usually, horses are sold at auction (BW—Aug.7'55,p28). But they felt that this would involve added expense. In an auction, every horse would have to be sold separately, and bidders could gang up.

So they decided on a sealed bid method, which would involve no big expense to the estate. Bids were invited on four different lots: 1) Nashua; 2) a group of nine race horses and 12 yearlings; 3) a group of 24 brood mares and 16 weanlings; and 4) the entire stable, including Nashua.

They were careful to make a number of stipulations. They merely guaranteed Nashua's soundness, gave no assurance about his fertility. They reserved the right to reject any or all bids. And they got Humphrey Finney, of Fasig Tipton Co., horse auctioneers, to assist them in appraising the bids.

Mapes and Ludewig felt their decisions were justified by results. There were 11 bids for Nashua, four strictly gags. Of the seven serious offers, five were for over $1-million. In all, the estate got $1,866,200 for the Belair Stud.

The race horse and yearling group was bought by John Kroese, a New York businessman with a racing stable, for about $205,000. He plans to auction all but two of the yearlings late in January.

The brood mare and weanling group was bought by a syndicate headed by Mildred Woolwine, a Kentucky breeder, for $410,000. She will auction these on Jan. 6.

And Nashua went to a syndicate formed by Combs. His bid was only $25,000 above the next highest bid—one made in behalf of a syndicate of 10, by L. P. Doherty, a big stud operator.

• **Buyers Team**—Combs, one of Kentucky's most successful commercial breeders, later announced the names of

Nashua, Inc.

his syndicate. The two other principal members are John W. Hanes, chairman of the executive committee of Olin Mathieson Chemical Corp., C. J. Devine, Wall Street bond broker. Together with Combs they will control the horse. Priority interests in the syndicate are held by three others: Peter Widener III, R. W. McIlvain, and Harry M. Warner. The syndicate has arranged to lease Nashua to Combs so he can race him under his colors.

When Nashua's racing days are over, it's expected that this group will be enlarged to around 32 members, when the original syndicate sells shares in the horse.

Syndicates are a common device for buying horses. It is a means of spreading the risk involved in the ownership of expensive animals. Usually, syndicates buy horses that are ready for stud. Because breeding is what everyone looks for in racing, a colt with good lines and a fine racing record always fetches good prices.

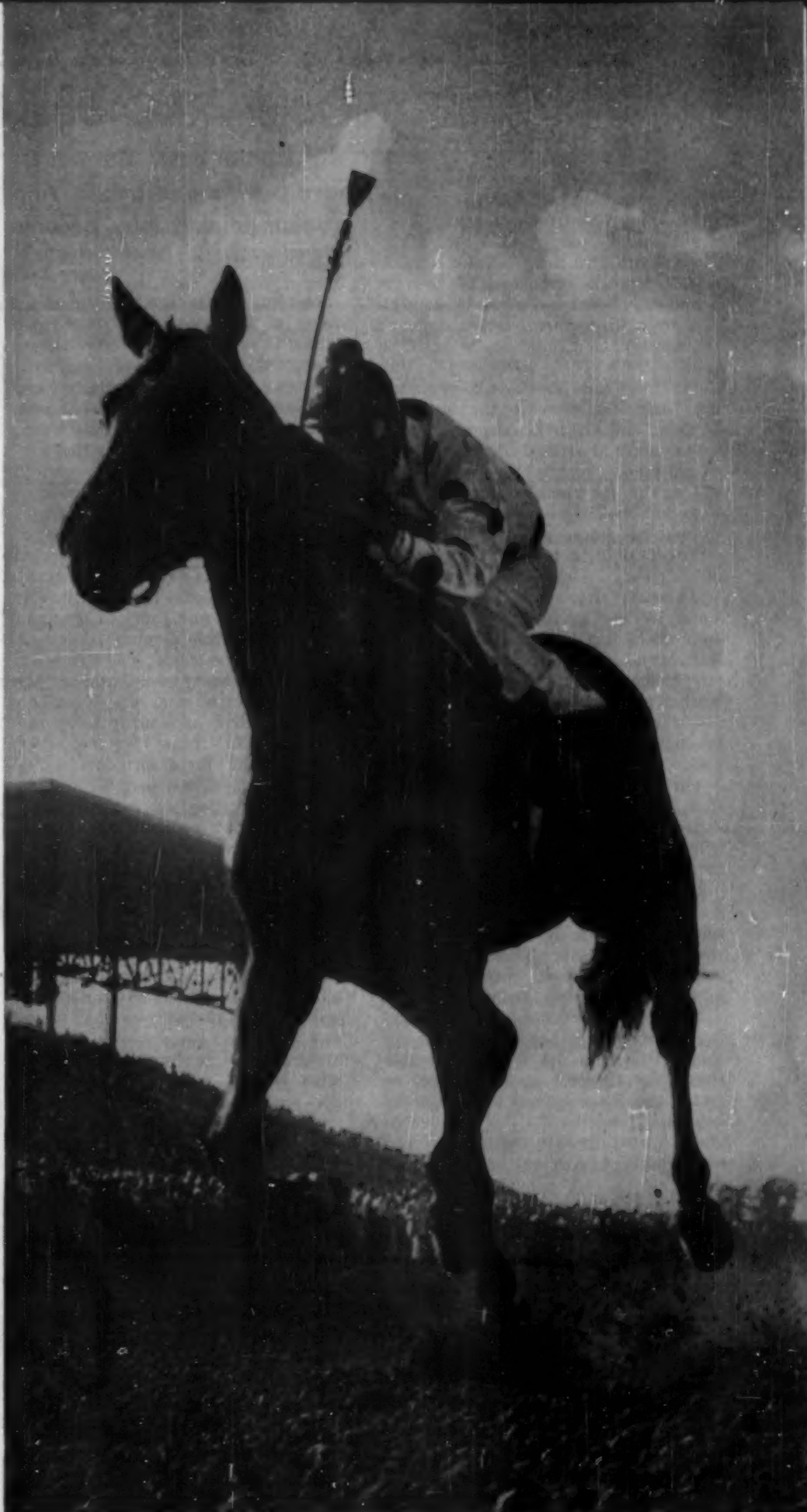
For example, Woodward himself was one of a 45-man syndicate that purchased Tulyar, winner of Britain's Epsom Derby in 1952, for $672,000 earlier this fall. Combs headed a syndicate that purchased Alibhai for $500,000 from Louis B. Mayer in 1948. And he was in another syndicate that bought Shannon II, an Australian horse, for $300,000.

Members of a syndicate can use the horse for stud purposes. This is strictly apportioned in relation to the number of shares. If there are ten equal shareholders in a syndicate, and the stallion can be mated 40 times a year—a normal figure—then each shareholder will have four chances to mate the horse with mares. But they can also sell their chance at stud. A sire with a good record at breeding can command up to $5,000 for stud services. When Nashua's services are sold, Combs figures he will get $10,000 for him. But the syndicate itself is likely to take most of his services, and its members then would either race or sell the foals.

• **On the Track**—But Nashua would not have sold so high as he did merely as a stallion. Combs's syndicate, and the others in the bidding, believed he could be used in racing for at least another season.

Nashua, according to Combs, is a sure bet to become the all-time money winner. This will enhance his prestige as a stallion, but it will also give a good return on the investment made in him. Combs feels that Nashua could win as much as $400,000 next year, and more if he is raced in the winter of 1957.

The chances are that he will be



FAST WRITE-OFF will help swell the syndicate's treasury while Nashua keeps racing. Capital gains will come aplenty when he's at stud.

raced only during 1956, and then put to stud. If he kept winning, the weights put on him by handicappers would make it much harder to earn big purses, and might increase racing risks.

• **The Tax Angle**—In fact, the most compelling reason for racing him at all is the tax advantage. As a race horse, Nashua will give the syndicate a much bigger depreciation allowance than as a stallion. A race horse can be depreciated over two to three years; a stallion's depreciation is figured at 10 years, or more.

On this basis, the Combs syndicate may race Nashua for the next 14 months, and claim his depreciation as a race horse at around $500,000. This would be, in effect, a fast write-off on a big part of the purchase price. The remainder could be depreciated at the normal rate for a stallion. So the total write-off could be speeded up considerably.

There is also a tax advantage for those in the syndicate who are not commercial breeders. Combs, who is in business as a breeder, would have to pay a normal business tax if he sells Nashua's foals. But racing stable owners who decide to sell a foal would be charged only with the capital gains tax.

• **On the Farm**—Once Nashua is in stud, his foals should bring extremely high prices. The first of them probably will bring over $30,000 each, on the average.

If he wins $400,000 in racing and is a good breeder, Nashua could conceivably pay for himself within five years. And, as some stallions remain in stud until they are 20, there is a possibility of making big profits.

Breeding is a much safer way of making money out of horses than racing them. But there are still considerable risks. Not all great racers pan out as great sires. Some are not fertile. Others are what breeders call "shy"—unable to mate successfully with most mares. And some thoroughbreds fail to breed good foals.

Many experts reckon Combs as a man who gets the best return on his investment. As manager of the syndicate, he turned down one cash offer this week that would have given his group an immediate profit on Nashua. But even Combs admits that the risk on Nashua is big, although he prefers to call it a calculated one. His idea is to limit stud use of Nashua by outsiders and try to recoup most of the purchase price through sales of the foals.

It will be 1959 or 1960 before Nashua's foals come to market. Combs will keep his fingers crossed until then. As one expert puts it: "He'll breed the best with the best, and hope for the best. That's all you can do in this business."

Odlum-RKO Deal

It's hot now. The details have been made public. And uranium mining may become big business.

Uranium mining was once mostly a matter of small operators, but Floyd Odlum is taking a giant step toward making it big business.

Directors of RKO Pictures Corp. and four smaller companies agreed last week to merge their firms with Atlas Corp., Odlum's investment company that's interested primarily in special situations (BW—May28'55,p90). The proposed merger must be approved by two-thirds of the outstanding shares of the affected companies. This vote is expected to take place in February and March.

• **Under One Roof**—The four smaller companies have one thing in common—big investments in uranium companies or uranium mine leases. RKO Pictures, no longer in the movie business, has $18-million cash and a $30-million capital loss that, in figuring taxes, can be used to offset future capital gains.

By bringing these elements under one roof, Atlas Corp. may be well on its way to creating a special situation beside which all previous efforts pale. Atlas already has investments, options, or deals pending in uranium properties on its own.

• **Possibilities**—Here are some of the holdings that Odlum can mine:

• The Hidden Splendor Mining Co. Atlas acquired this from prospector Vernon Pick for about $10-million. It should have approximately $57.6-million in reserves, based on the known current yield of the mine and figuring a price of $12 a pound for uranium oxide.

• Almar Minerals, Inc., recently bought by Odlum. It has been valued at $25-million in reserves.

• The numerous holdings of the four smaller companies—Albuquerque Associated Oil Co., Airfleets, Inc., San Diego Corp., and Wasatch Corp.

• **Hurry, Hurry**—The major catch is that Atlas has to hurry. To take advantage of the $30-million tax credit from RKO, Atlas must rack up a like amount of capital gains in just over three years, the period the credit has left to run.

As a hedge, there are considerable "built in" capital gains opportunities already in the Atlas portfolio if uranium should fall short of expectations. There's little doubt, however, that the fuel for nuclear power plants is the focus of Odlum's plans for the future.

• **Stock Deal**—The main terms of the proposed merger, according to Odlum: Atlas Corp. stock will be split 4-for-1 and then exchanged on the basis of four shares of Atlas for 5¼ shares of RKO Pictures; 2.4 shares of Atlas for one share of Airfleets; 2.4 shares of Atlas for one share of San Diego Corp.; one share of Atlas for one share of Albuquerque Associated Oil; 13 shares of Atlas for one share of Wasatch cumulative preferred, and 1.3 shares of Atlas for one share of Wasatch common.

Prior to announcement of the merger, Atlas Corp. owned 900,000 shares of RKO. Together with Howard Hughes, who has already expressed approval of the merger, Atlas holds 73% of the former motion picture company whose physical assets were earlier sold to General Tire & Rubber Co. (BW—Aug.27 '55,p54).

Also lessening the amount by which Atlas will have to dilute its stock to effect the merger is the fact it already owns more than 95% of Wasatch, 43% of Albuquerque Associated Oil, 18% of San Diego Corp. and 3% of Airfleets.

Boeing Claims Solutions To Two Jet Age Problems

This week, Boeing Airplane Co. announced that it has developed a device that will wipe out two of the biggest problems of switching from the age of the propeller to the age of the jet.

One of the difficulties Boeing referred to was the fact that most runways are too short for the big jets, so the makers must find a way to slow the planes down when they land. The other problem involves noise. Many city airports won't permit jets to come in because of the excessive noise jets create.

About the sound depression, all the company will say now is that exhaust gases are mixed with surrounding air. This is said to cut the noise in those frequencies most objectionable to the human ear.

About thrust reversal, Boeing says that an attachment fits over the exhaust vent at the rear of the jet engine. When a pilot applies the reverse thrust, he closes the end of the exhaust pipe and forces the hot exhaust back toward the front end of the plane. This backward thrust slows the plane.

Skeptics in the industry—outside Boeing and Dougles Aircraft Co., which has been working on the same problems—think that Boeing may have made this week's announcement simply "to soften the airports."

It is fairly well known that Boeing's device was adapted from an idea developed by an English engineer.

1956 Politicians' Calendar 1956

Jan. 3 84th Congress convenes for second session	**Jan. 3-6** State of Union message	**Jan. 9-20** President's budget message and economic report to Congress	**Jan. 23** Deadline for filing for Illinois Presidential primary	**Feb. 11** Filing deadline for New Hampshire primary	**Feb. 15** Filing deadline for Minnesota primary
January-February Senate to consider natural gas, farm legislation House to consider road bill and begin work on tax legislation in committee		**Feb.-Mar.** Doctors' report on Eisenhower's health may decide his candidacy	**Mar. 1-15** Administration to look at economic situation and decide policy on tax cuts	**Mar. 2** Filing deadline for Wisconsin primary	**Mar. 9** Filing deadline for Oregon primary
Mar. 13 New Hampshire primary	**Mar. 20** Minnesota primary	**Mar. 31** Deadline for extending corporate and excise tax increases, due to expire Apr. 1	**Apr. 3** Wisconsin primary	**Apr. 6** Filing deadline for California primary	**Apr. 10** Illinois primary
May 18 Oregon Primary	**June 5** California primary	**Aug. 1** Leaders' deadline for adjourning Congress	**Aug. 13** Democratic convention in Chicago	**Aug. 20** Republican convention in San Francisco	**Nov. 6** Election Day

Pattern of a Political Year

When the calendar turns, a week from now, the din of national politics will begin a crescendo that will finally drown out all other noises in the land. That's because 1956 is a Presidential election year, and every such year is packed with big, exciting, and dramatic doings.

Wherever politics impinges on business—and it happens a lot oftener than the man in the street would think—this means businessmen will be caught up in the same turmoil. The decisions that are made in Washington and in the smoke-filled rooms of party leaders will bear directly on the decisions that businessmen must make—how they arrange their financing, when and how much they expand their operations, where they sell their wares, what their labor costs them.

As any political war horse will tell you, anything can happen in a Presidential year, especially when the reins in Washington are shared by executive and legislative branches of opposite political faiths. Thus, the businessman, like the politicians, must keep an eye on the calendar (above).

• **President's Choice**—Most of the major events of the year are predictable as to approximate time, even if the results are not. But the most dramatic and important political act of 1956 is one for which no date is known and which one man, the President, must make for himself alone under the greatest of pressures.

It is this question of Pres. Eisenhower's health—will he or will he not run again—that makes 1956 look, in advance, basically different from election years past.

For the President and his doctors are not certain yet what he can do—much less what he should do. By mid-February or thereabouts, the physicians will hand in a medical verdict on the condition of a mending heart. What the President decides to do on that basis is another verdict, and when he chooses to let it be known is yet another.

• **Frustrating**—So, for political drama, 1956 is loaded. And for politicians of both parties, especially Republicans, it may be the most frustrating Presidential year in a long, long time.

Democrats don't know whom they'll be running against. Most potential Republican candidates, Vice-Pres. Richard M. Nixon foremost among them, wait in more or less respectful silence for Eisenhower to make his decision. Frustration is clearly apparent in some others, like California's Gov. Goodwin J. Knight and Sen. William F. Knowland, who chafe and threaten to break out for the run early without waiting for the word from Eisenhower.

• **Life Goes On**—The normal national life, of course, must go on, but again—just because it is 1956 and a Presidential year—national politics will color it heavily.

The second session of the 84th Congress convenes in Washington on Tuesday, Jan. 3, to confront an economic paradox: frantic urgings to do something for the poor farmer while the rest of the nation enjoys record prosperity.

• **Tax Cut?**—The prosperity looks so good, in fact, that a lot of responsible people are thinking it may be possible, without committing political suicide, to withhold tax relief in 1956—even though the Treasury apparently would be able to take a cut and still operate in the black. Current calculations have the budget in balance with a $3-billion cash surplus by July.

This situation excites Democrats to

talk up a tax cut, but the Eisenhower Administration is playing it more cautiously. It will wait until mid-March for a last long look at the ledgers before committing itself.

House Speaker Sam Rayburn and Sen. Paul H. Douglas (D-Ill.) take the line that tax relief for lower-income groups should be voted by Democrats. They would make up part of the revenue loss by closing tax "loopholes," the most likely target being the Republican-passed exemption on stock dividends.

As 1955 fades, the only thing that looks certain about taxes is Congressional extension, before Apr. 1, of corporation and excise levies at present rates.

• **Farm Issue**—The farm outcome, whatever it is, is stuff for flowery political oratory. Democrats will be riding it hard, and they may be able to pass legislation calling for a return to high, rigid price supports for basic crops. A Presidential veto almost surely would follow, and the Democratic-controlled Congress would probably then be inclined to balk on the Eisenhower-Benson soil bank plan—a system of payments to farmers for retiring land from crop production and turning it to soil-building and tree-growing.

If this chain of events comes out as a lot of shrewd politicos foresee it, the issue will be made, and the farmer will hear a classic election year refrain from both sides: "We tried to do something for you, but they wouldn't let us."

• **Compatibility**—In many areas, however, the Democratic Congress and the Republican executive branch should be able to get some things done. The big skirmish will be over which party gets the credit.

The 13-point program laid down by Senate Democratic leader Lyndon B. Johnson of Texas looks compatible with Eisenhower's legislative aims. Both Johnson and Eisenhower are for revised and more liberal social security, more liberal federal aid for schools, and a bigger and better highway program.

In the skirmishing, though, the Democrats may enjoy a slight advantage through control of Congressional machinery. One politician sums it up like this: "The Democrats can, and will, be most friendly and cordial. They will say, 'We love you, Mr. President, and we think you've got the right idea about, say, highways. However, we think we can improve on your program in detail, and here's ours.'"

• **Motives**—The Democratic advantage, however, will not always be translatable into a victory for a Democratic piece of legislation. In any election year, and especially in Presidential years, individual congressmen respond to the urge to vote "what's good for me."

Other factors that weigh here are Democrats' genuine respect for Eisenhower's personal popularity and the natural tendency of the Democratic conservatives, who are in control, to avoid legislative mischief. In this atmosphere, you can look for more compromise than you might otherwise expect—but with each side still claiming all the credit as the November election nears.

• **Primaries**—Another part of the quadrennial phenomenon is the Presidential primaries. In 1956, they will be held in 19 states, the District of Columbia, and Alaska.

For Republicans, these will have virtually no significance until Eisenhower's decision is made known, and very little after that. Eisenhower can have the GOP nomination by merely asking for it. If he doesn't want it, he and his wing of the party can pick their nominee at the San Francisco convention starting Aug. 20.

For the Democrats, the primaries mean a little more, but they entail risks that can outweigh any gains. That's why the Democratic front-runners, Adlai E. Stevenson and Sen. Estes Kefauver of Tennessee, are carefully picking their spots.

• **Can Only Hurt**—Winning these preferential primaries never assured anybody a Presidential nomination. Kefauver learned this lesson the hard way in 1952 at the Chicago convention, after he had won over Harry S. Truman in New Hampshire and scored another big triumph in California.

On the other hand, a dismal showing in one of the primaries can be ruinous. Wendell Willkie came a political cropper in 1944 when he failed to win a single delegate in the Wisconsin primary. More recently, in 1948, Harold E. Stassen's Presidential drive collapsed after a dismal primary showing in Oregon.

So, while the primary results may be interesting, the nominees will actually be chosen in convention—to the accompanying roar of the 2,744 Democrat delegates (each with a half vote) at Chicago and the 1,323 Republican delegates (each with a full vote) at San Francisco.

Kaisers' Empire Gets New Wrap-Up

Henry J. Kaiser (right) and his son, Edgar F., have some intricate packaging details still to work out before the new setup announced this week for their industrial empire can be finally tied up next spring. The announcement disclosed only broad outlines of the proposed reorganization, with further details to come in a proxy statement for a special meeting of Kaiser Motors Corp. stockholders to be held in March.

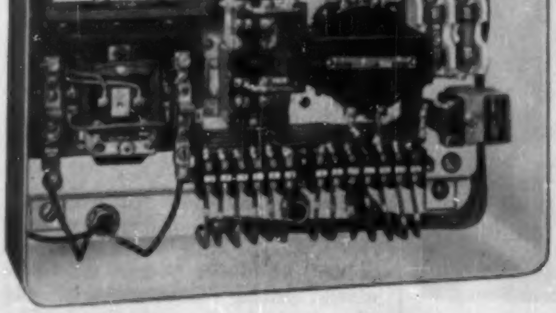
Keystone of the plan is a proposed reshuffle that would make Henry J. Kaiser Co.—present holding company for all Kaiser interests—a subsidiary of Kaiser Motors Corp., in which the holding company now owns 37% of the common stock. Kaiser Motors would then be renamed Kaiser Industries Corp. The exact basis of the exchange of stock is still to be worked out.

Industry speculation on reasons for the shift centers around Kaiser Motors' big tax loss carryover. As of last Jan. 1, the company had accumulated a net loss since 1945 of $113.8-million; net losses for 1953 and 1954 alone totaled $62-million (1955 is expected to show a $2-million profit).

Willys Motor, Inc., will remain as a subsidiary, making—as now—only jeeps and commercial vehicles. In this respect, washing out Kaiser Motors could be the epitaph for the Kaiser family's ambition to buck the auto Big Three.

Kane & Roach

RIM BENDING MACHINE



Special motor control panel used with the Kane & Roach Rim Bending Machine. It is constructed of standard units listed in the Allen-Bradley Handy Catalog.

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Osborn Brushes

OSBORN BRUSHING METHODS • POWER, PAINT AND MAINTENANCE BRUSHES
BRUSHING MACHINES • FOUNDRY MOLDING MACHINES

BUSINESS BRIEFS

Acetate filament yarn has joined the general upward march of fiber prices. This week Eastman Chemical Products announced 1¢-to-5¢ a lb. increases; du Pont and American Viscose came through with 2¢-to-5¢ a lb. raises. Celanese Corp. of America, the largest maker of acetate filament, started the boosting several weeks ago.

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The lump sum contract entered the atomic field when AEC awarded a $90,-766 order to Babcock & Wilcox to supply 325 fuel elements for the materials testing reactor at Arco, Idaho. The contract is the forerunner of the type of deal that will be needed to put atomic power on a business basis.

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Complete power units for Eastern Air Lines' $100-million fleet of Lockheed Electra prop-jet transports will be produced by General Motors. The company's Allison Div. will turn out the engines; the propellers will be made by its Aeroproducts Corp.

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The last and biggest of the government's wartime flock of synthetic rubber plants will be sold to Goodrich-Gulf Chemicals, if the Justice Dept. approves. Goodrich-Gulf, at $11-million, was high bidder for the 122,000-ton-a-year plant at Institute, W. Va.

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Up and down on the farm: 1955 crops were the second largest in history, says the Agriculture Dept.'s final report. Yet acreage planted—only 333,329,000 acres—was the smallest since 1940. . . . Farmers hit by disaster will be given surplus grains as livestock feed, says Secy Benson. . . . And Benson says he will add wheat, corn, rice, and dry beans to the surplus handed to U.S. welfare agencies for relief distribution abroad.

•

Atoms aloft! is an active goal of the Navy. The department says it has awarded contracts for the development of an atom-powered aircraft engine to GM's Allison Div., Nuclear Development Corp. of America, GE's Aircraft Gas Turbine Div., Curtiss-Wright, and Garrett Corp.'s AiResearch Div.

•

Burlington Industries last week sold six cotton mills belonging to its subsidiary, Pacific Mills, for close to $40-million. Burlington says the mills weren't making profits, so Pacific sold when a good price was offered. The buyer, M. Lowenstein & Sons, gets added capacity, becomes a dominant factor in printed yard goods.

Will The Nation's Business Double... in the Next 25 Years?

Gross national product, the total value of the nation's output of goods and services, measured in a constant price level, should double, according to a careful estimate, in the next 25 years.*

This projection is based on the consumer needs of America's expanding population and implies the ability of American industry to increase productivity per-man-hour under the free enterprise system. Opportunities for expansion by both capital and consumer goods industries are apparent.

Availability of funds to take advantage of these opportunities as they arise is a prime consideration in the planning of growth-minded executives.

The credit requirements of large and small corporations in a wide variety of industries are met promptly and resourcefully at The Bank of New York, a commercial bank for the past 171 years.

The services of this Bank are geared to the banking needs of corporations in today's expanding economy.

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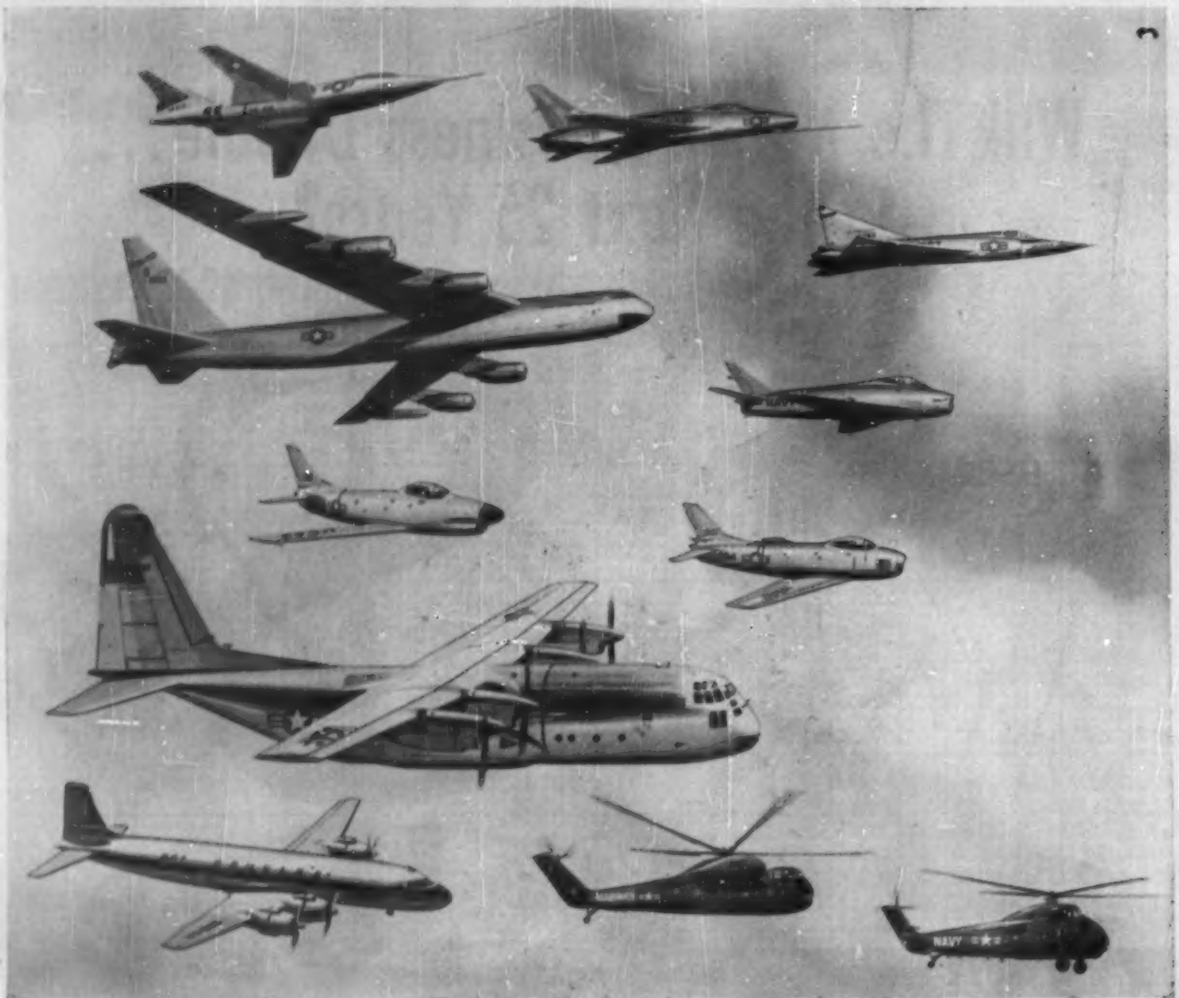

Left to right, from top to bottom: McDonnell F-101; North American F-100; Convair F-102A; Boeing B-52; North American FJ-4, F-86D, and F-86H; Lockheed C-130; Douglas DC-7; Sikorsky S-56 and S-58.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 24, 1955

A BUSINESS WEEK
SERVICE

Uncertainty over Pres. Eisenhower's 1956 plans may run for months.

Mid-February is the next deadline date. That is when the doctors now feel they will be able to give the President a final report on what he can expect in the way of future health. This will be a medical report, with advice on work loads, relaxation, etc.

Then it will be up to Eisenhower. But keep this in mind: The final medical report does not mean that the answer on 1956 will follow quickly. There are political considerations involved that may cause a delay until summer, or even right up to convention time in August.

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On the "he will run side," you have some new facts.

Medical reports are good, on balance. Two weeks ago, the President's doctors detected fatigue and recommended a lightened work load. Then, the Boston heart specialist, Dr. Paul Dudley White, blamed the fatigue, not on the heart, but on the lack of exercise. What he said, in effect, was that Eisenhower hadn't been doing enough physically to recover from the recent inactivity.

You have arguments, too, in favor of Eisenhower's running. They are along these lines:

The burdens of the Presidency will be lightened. Legislation is being drafted to eliminate much routine paper handling. This is a time-taking chore and much of it could be handled by subordinates.

Eisenhower will be able to keep a strong team. The argument here is that the Cabinet and National Security Council can solve most big issues within the framework of Eisenhower policy. Disputes reaching the President would be held to a minimum—go up to him only when policy is in doubt.

Backing it all up is the argument that Eisenhower hasn't had a full hand in government since the Sept. 24 attack, and yet the government has gone on without any major hitches.

There's wishful thinking in this, of course. Most observers agree that Eisenhower can win next year, no matter whom the Democrats run. It's seldom that a party has such a "sure thing." Some partisans argue that because of the public confidence in Eisenhower he can provide better leadership on a part-time basis than any probable successor working full time. You will hear this argument more and more. It shows up in the mail the President gets from just ordinary people—voters.

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What about the predictions that Eisenhower won't run? They come from two sources, primarily. And some of these have "interests."

Take the Republican side, first. There are real friends of Eisenhower who feel he shouldn't try for a second term. After all, the President has spent his life in public service, these men say, and he is entitled to retirement if he wants it. There's also a feeling that when Eisenhower sees the limits his doctors set on his activities, his natural reaction will be that the nation is entitled to a full-time President—not a President who must rest at mid-day and then limit afternoon and evening activities.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU
DEC. 24, 1955

It's the Democrats who are most vocal. It's no secret that their hopes for a 1956 comeback in the White House have been based on assumptions that Eisenhower wouldn't run again. They held these hopes before the heart attack. Now, they are very high.

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What are the odds on a second-term race? We frankly don't know. What's more, we don't know anyone who claims to "have the word" from Eisenhower himself. The President has talked politics with White House associates and some of his political leaders. These conversations have gone into the problems created by the heart attack. But they probably stopped short of the second-term race question. The general assumption that Eisenhower hasn't yet made up his mind seems logical at this time.

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On the timing, here are a few pointers.

There's no real pressure for an early decision, immediately after the doctors make their report. Senate GOP leader Knowland wants an earlier answer. He's a "hopeful," but doesn't cut much ice in White House circles. Most other leaders are content to wait, feeling that the chances of a "yes" answer will improve as time goes on.

Then, there's the question of the preferential primaries. These start early in the year. They have never nominated a man for President. But they have killed off candidates. An early "no" could mean some bitter primary contests.

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On the Democratic side, there's a real fight.

Front runner Stevenson will find it hard to pick his fighting places. He runs the risk of being cut down in preferential primaries.

Kefauver is the No. 1 challenger. As of now, his chances of winning the Democratic nomination seem slim. But he's out to trip up Stevenson. He might pull it off. After all, he out-ran Truman in New Hampshire in 1952.

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Keep an eye on Truman. We find it hard to buy the speculation that the "Squire of Independence" will put his own hat in the ring. But he has influence within the party. And Truman would like to have strong backing next year for his own left-of-center stand.

He's put out with Stevenson. Associates say he rates the "moderation" theme as too much like Eisenhower. Then, too, Stevenson is cool to city bosses and the big labor leaders. A complaint is that Stevenson makes some unpolished Democratic leaders feel they should enter at the service door.

There are reservations on Kefauver, too. He's liberal, all right, but he embarrassed Democratic city bosses years ago in the rackets investigations.

Harriman fits the Truman pattern. Labor leaders find him "agreeable." He's got some business backing. While he has no farm connections, he's willing—backs 90% of parity price supports. The former President might get behind Harriman unless Stevenson gets more aggressive.

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Political outlook for next year, summed up: The GOP will win if Eisenhower makes the race. If he doesn't, the edge goes to the Democrats. Congress will be a battleground. It will be a rough year politically (page 29). But for business, there's one assurance: No big policy swings are in sight, so long as times continue on the good side.

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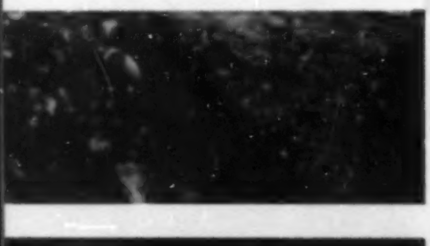

FOR THE BUSINESS-MINDED: SOME PROOF OF RAYONIER'S GROWTH

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To meet new high production schedules, Rayonier has increased manufacturing facilities by *82%* since 1948; will add another 100,000 ton plant to its growing network by 1957; expand its Canadian mills' output some 100,000,000 lbs.

These advances require big investments in Rayonier plants, land, equipment. In less than 10 years these assets have more than quadrupled in net value to $73,050,132 in 1954. By 1958 another $80,000,000 capital expenditure program will be completed.

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In Marketing

• • •

Detroit Figures Ways and Means Of Making the Spare Tire Obsolete

Detroit is trying to find a way to remove the spare tire from your 1958 model. The longer, lower look in cars, with shrinking trunk space that leaves no room for spares, is dictating this change. But there are roadblocks.

One auto maker (Detroit gossip says Chrysler) asked Goodyear to develop the idea of equipping future cars with four puncture-proof tires. Goodyear is working on the proposal, but is dubious about its merits. For one thing, the rubber company insists that there is no such thing as a puncture-proof tire, only puncture-resistant tires, such as its tubeless tire with blowout shield. Also, Goodyear feels that the public, accustomed to the spare, will demand a fifth tire, which the company wants to continue selling to car manufacturers.

If the spare is eliminated, it will have considerable impact on the distribution of tires. Reports are that tire dealers favor the plan since they think that the tire that formerly came with the car would be bought from them when the owner needs a replacement.

As yet, no satisfactory solution has been found. A partial answer may be a small "crutch" tire. This tire would be of regular diameter but much narrower in cross section, something like a bicycle tire. Its reduced bulk would fit into a smaller trunk. Using higher air pressure, the tire would get the motorist to a service station.

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Massey-Harris Tries Magazine To Win Friends on the Farm

A new company-sponsored farm magazine, tailored to sell farm equipment, has just bowed in with its November-December issue. Massey-Harris of Racine, Wis., maker of tractors and other farm equipment, is distributing its own general farm magazine, christened Farm Profit. It's mailed free to 900,000 U.S. farmers, with copies to colleges, Four-H clubs, dealers, bringing the total over 1-million.

The new sales promotion idea sprang from efforts of Massey-Harris—a division of Massey-Harris-Ferguson Ltd. —for more effective advertising. Frank Bloom, advertising manager, says the company faced competition from a flood of direct-mail advertising. The impetus came from the recent merger of the old Country Gentleman (renamed Better Farming) with Farm Journal (BW—Jun.18 '55,p129). Funds once spent for ads in Country Gentleman ($64,000 this year) were diverted to the new magazine.

Primary aim, say the editors, is to help farmers increase net income at least 25%. Advertising space will be kept down in favor of information on new farming ideas and techniques. Five of the six yearly issues will have 24 pages, with four pages of color Massey-Harris advertising. January-February issue, timed with introduction of new models, will have 32 pages, including eight of ads.

MORE NEWS ABOUT MARKETING ON:

p. 42 . . **Florida shoplifting law puts teeth in attack on an old problem.**

p. 45 . . **Penn Fruit, whose supermarkets are "different," reaches for broader fields.**

p. 46 . . **A carpet man finds a basic reason for his industry's ills in the product.**

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Stetson Tips Its Hat to Show Plans for Haberdashery Line

John B. Stetson Co., Philadelphia hat manufacturer, has taken initial steps toward branching out into production of other lines of men's wear.

On Feb. 14, Stetson shareholders will vote on a management proposal to increase the authorized common stock from 260,000 to 500,000 shares. The additional shares will not be sold at once. They are to be used to "acquire properties and businesses" that look attractive to the company's management, according to Pres. David H. Harshaw.

In a letter to stockholders, Harshaw made it clear what kind of properties Stetson has in mind.

"We have recently acquired Stetson trademark rights for shirts (from Stetson Shirt Co., Inc.), ties, pajamas, and underwear, and it is the definite intention of management to develop these lines of men's apparel in conjunction with its hat business," he said.

Apparently, Stetson has two major motives for the diversification move:

- The company feels that it is doing just about as well as possible in the hat business, that further large-scale expansion must come through adding new product lines. While hat sales this year have been "extremely good," the peak year was 1947.
- Stetson has a ready outlet for additional lines in the approximately 20 retail stores it now owns.

"Our hat business is improving, both in this country and abroad," Harshaw says, "and, if our stockholders approve the increase in common, we should have ample capital to add new lines."

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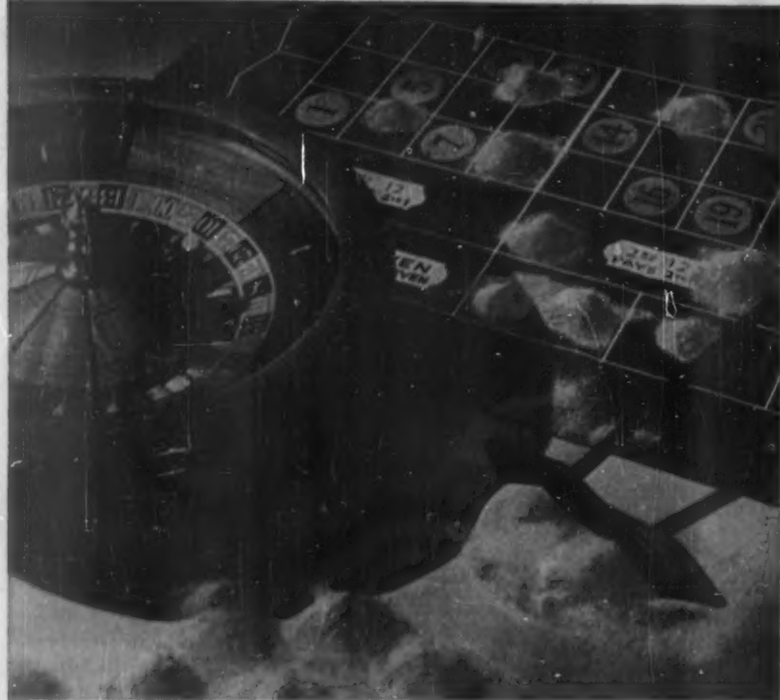
Marketing Briefs

Syracuse lost its baseball team to Miami after all, despite the hectic efforts of 800 fans to save it for the home city (BW—Dec.17'55,p43). Reported price: $100,000. Difficulties over the contract couldn't be ironed out by deadline.

Printed stretch socks for men will be on the market around Feb. 1. Burlington Industries, the maker, says printing will make design easier, more varied—one way to boost sock sales.



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Shoplifting Curb

Retailers are watching as Florida's tough new law is put to big test during Christmas season.

With shoplifting at a peak during the Christmas season, retailers all over the country are watching to see whether Florida has found the answer to this ancient problem.

Florida put a tough new law into effect July 1. The measure is designed to help merchants overcome one of the most formidable obstacles they run up against in trying to protect themselves against shoplifters—liability for false arrest or false imprisonment. Rather than risk a suit for false arrest, many shop owners often permit shoplifters to carry off merchandise. But the new statute allows a merchant or his employee to take a suspect into custody for a "reasonable length of time" in an attempt to recover the goods. Even though the merchant has made a mistake, he cannot be sued successfully if he can satisfy a court that he had a "probable cause" for acting as he did.

• **Heavy Losses**—The drive for the law started in Jacksonville where a special Mutual Protection Committee of the Chamber of Commerce's Retail Merchants Div., headed by Joseph D. Kelly, has been waging an intensive battle against shoplifting for several years. Though reliable figures are difficult to assemble, the Retail Merchants Div. estimates yearly shoplifting losses in Jacksonville alone at $250,000, and losses for the state at $6-million. As part of its program to combat shoplifting the protection committee decided to tackle the problem of false arrest suits. So it drafted a law based on a model statute that had appeared in the Yale Law Journal. Florida's attorney general modified it slightly and the measure was enacted this spring.

One aspect of the law, though, worried some merchants at first. They wondered whether the law made violations of civil liberties possible or even whether the law was constitutional, since innocent shoppers might be subjected to arbitrary restraint while store owners were immune from liability. But lawyers held that the "probable cause" test eliminated the danger of arbitrary action by the stores and protected the shopper from unreasonable detention or arrest.

• **Caution Urged**—So far, there have been no court tests of the law, but lawyers say there are precedents to guide a court in interpreting what con-

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stitutes "probable cause." In any event, Florida merchants are proceeding cautiously. The State Retail Assn. told its members: "We must avoid irrational procedures that would ruffle customer dignity, injure customer goodwill, and even incite a legal attack on the new law."

The new law hasn't been on the books long enough to tell just how effective a weapon it is. But the general feeling in Florida is that it has cut shoplifting losses drastically. The law got a lot of publicity in the newspapers. And store owners have posted big signs reading: "This Store Is Now Protected by Florida's New Law on Shoplifting." This seems to have deterred some would-be shoplifters.

• **The Results**—In Jacksonville, Kelly says, "We'd like to believe less shoplifting has been going on." The few figures that are available tend to support this. Up to Dec. 7 of this year, 118 persons were arrested in Jacksonville for shoplifting, against 167 in 1954. And of the 118 only seven had had previous arrests, whereas in 1954 there were 39 repeaters. The Retail Merchants Div. thinks this means the new law is scaring off the old hands.

American Motors Offers New Deal for Dealers

American Motors Corp. this week announced an eight-point program aimed at improving factory-dealer relations—a subject of much recent discussion and a highlight of the General Motors hearings (BW—Dec.17'55,p30).

The most important point in the new AMC program is the establishment of a joint company-dealer appeals board, which will have final authority in cases involving cancellation of dealer franchises. Only GM has a formal board of appeal for dealers, and the dealers themselves are not represented on it.

The role of the dealer councils will also be strengthened. The councils, among other functions, will have authority to review all matters affecting factory-dealer relationships.

One point in the plan, concerning a profit-sharing program for Nash and Hudson dealers, was put into effect earlier this year.

According to AMC Pres. George Romney, "We believe the time has come when the dealers of American Motors should have a greater participation in matters hitherto determined by the company alone." National Automobile Dealers Assn. hailed the program as being "the most progressive step taken by any manufacturer since the establishment of a quality dealer program by Alfred P. Sloan, Jr., many years ago." END

Penn Fruit Expands Its Orbit

Supermarket, an old hand at making a profit on perishables, is pushing from home base into other states. First stops will be in Baltimore and on Long Island.

Penn Fruit Co., Inc., has always been something of a maverick in food retailing. But until recently, it has been a maverick on a broadly local basis. Its 36 supermarkets are in the Greater Philadelphia area. When, last month, it announced it was going to push beyond its current market perimeter, the trade wondered how far it would go.

Actually, it isn't going far right now—only a state or two beyond its present market. Its immediate plans call for moving south to Baltimore, north to Long Island, N. Y. But the industry figures this is just a first step for the Philadelphia concern.

The company's president, Samuel Cooke, confirms that the chain is expansion-minded. "We will expand as long as we can run our type of store successfully," he says.

By "our type of store" Cooke means:

- One where the accent is on perishables.
- A store that offers great variety but expects large volume in all lines.
- A regional store with a "long reach"—that is, serving areas well beyond its immediate vicinity.

• Penn's Formula—This is the formula that makes Penn Fruit different (BW—Apr.20'46,p79). As one top executive puts it, "What competition wouldn't or couldn't do, Penn Fruit did. Competition concentrated on groceries. We concentrated on perishables. They built small stores. We built enormous ones. They located in neighborhoods. We located at the junction of high-traffic arteries. They sold to the pedestrian. We sold to the motoring public. They concentrated on a limited variety of high-volumes items. We concentrated on offering the broadest variety."

• Payoff—This policy has resulted in figures like this: In 1952 the year the company was incorporated, Penn Fruit sales per store figured out to $3-million, compared with $1-million for the average U. S. supermarket.

By 1954, the average supermarket had upped its sales by $150,000. Penn Fruit had doubled that increase. This year, the average Penn Fruit market rang up $3,350,000 in sales while the average for all supermarkets remained at less than half the typical Penn Fruit outlet.

"Quality perishables are the key to customer loyalty," says Cooke. "Our accent on mass selling of quality perishables brings the customer back more often, rings up more sales."

• Pushing Perishables—The company has stressed perishables ever since Cooke, along with Morris and Isaac Kaplan, joined forces in 1927. The three partners believed they could sell the housewife the ready-to-use package by making a science of selling huge quantities of perishables. Here's how they work this concept today.

Take corn. "The trouble with corn is you don't know how far from the field it has come when you buy through regular channels," an official says. Furthermore, "Once corn gets above 80 degrees, the sugar in it begins to ferment. That makes the corn tough. The trick is to get the corn onto the display counter while the sugar content is still high."

Penn Fruit achieved this by arranging with a group of Bucks County farmers to pick corn after midnight when it is cool. The corn is graded at the field, delivered to stores the same morning. Some farmers use the Hydracool process of passing the fresh-picked corn through an ice-water bath to arrest sugar development. Farmers who do this are subsidized by Penn Fruit to cover the expense of the facilities. Further, Penn Fruit's suppliers plant corn progressively—so that it will ripen over a planned period instead of all at once.

For this kind of freshness, customers pay more, but they come back for more, too.

• Counter Policy—In the early days, financial necessity urged the company into perishables. At that time, suppliers sold perishables on a weekly payment basis. "What we bought today, we sold today, so we had the other guy's capital to work with for six days," says Morris Kaplan.

Meanwhile, competition moved more and more into perishables, which most stores had viewed as loss leaders. To counter, Penn Fruit got into the grocery business, where competitive chains were already strong.

Typically, it got into groceries on all feet. For Penn Fruit holds that variety and volume go hand in hand. "Variety attracts thousands of customers," says Cooke. "These customers assure a turnover of merchandise high enough to justify diversity. Most stores would find it uneconomic to stock so many items."

Penn Fruit stores today carry 4,400 items, mostly food. It does carry housewares, small hardware items, flowers

and plants, small ticket softgoods. But the total of the non-food business amounts to less than 3% of its annual volume.

• **Mobile Market**—Why did Penn Fruit elect fewer, bigger stores instead of many small ones?

A prime reason was the car. When the company launched its supermarket program in the 1930s, the car was fast becoming the family workhorse. Penn Fruit geared itself to the motorist. Shoppers who came in cars not only came a lot further to shop; they also carried away more merchandise. The emphasis on highway access became greater as Penn Fruit moved out of congested Philadelphia to follow—or precede—customers to suburbia.

Thanks to the car, a big store will draw on more than one neighborhood if it is strategically located. This "long-reach" concept is well illustrated in the recently opened store in Audubon, N. J. The store draws from more than 50 different communities, located within a 15-min. drive. No single community supplies as much as 10% of the store's total customers. Over 90% come by car.

• **Circulatory System**—Penn Fruit uses the big traffic arteries not only to bring in its customers but to bring in its food supplies. The boundaries for expansion that Penn Fruit now sees extend roughly from New York to Virginia, and perhaps as far west as Harrisburg. These boundaries represent the distances that can be serviced in one day by its new distribution center in Philadelphia (BW—Feb.26 '55,p42). The New Jersey and Pennsylvania Turnpikes, as well as U.S. Route 1, are thus supply arteries for existing and new markets.

• **Indoctrination**—The already established accent on perishables was another reason for going to the big outlet. The intelligent handling of perishables requires real managerial skill. When the store units are large, the volume warrants the high-caliber management required.

From the start, Penn Fruit employees are indoctrinated with the company's quality concept. A manual for each department tells them what to do.

The manual for produce clerks, for example, tells how to display the produce, how to judge its quality. Sales periods are listed by commodity: apples, four days; cherries, one day; spinach, two days, and the like. The basic question the manual poses is this: Would you pay full value for this item? If the clerk answers no, the item is reworked—the browning leaves are removed from lettuce, say— or discarded.

Such a policy makes some limitations. Penn Fruit stores "can't be put just anywhere," explains Morris Kaplan. "We won't take a site that won't give us the $3-million-plus our other stores average."

The policy also means that Penn Fruit builds from the ground up when it expands. It doesn't merge or buy up competitors. One good reason: "Nobody else operates the way we do."

THE MARKETING PATTERN

An Industry on the Carpet

WHAT DOES AN INDUSTRY do when nothing it tries succeeds in boosting sales?

That seems to be the plight of the carpet business. For some years, it has had the unhappy distinction of being one trade where growth has nowhere near matched the potential market—or the growth of the economy generally.

While the number of family units grew some 160% in the first half of the century, per-family consumption of carpet declined roughly 60%. With new housing starts running around 1-million a year, why haven't carpets cashed in on 1-million new market units a year?

ELLIOT I. PETERSEN, vice-president of Alexander Smith, Inc., recently gave an answer that caused an explosion in the industry. "We aren't making what the public wants to buy," he told a carpet club in Indianapolis.

"We have tried a lot of things to step up sales," Petersen explains. "We have tried direct distribution, distribution through wholesalers, or both at once. We moved south to cut labor costs. We have sold on price. We have stepped up advertising. We have put carpet on an installment selling basis. Some of the things we have done are good. But none of them has sold enough carpet. The one thing we haven't done is change our product."

Specifically, he aimed his criticism at wall-to-wall carpeting. For years, this has been the white-haired boy of the carpet salesman. The reason for pushing wall-to-wall, of course, is that you sell more yardage that way—or should.

Petersen argues that it hasn't worked that way, chiefly because the price of wall-to-wall carpet is beyond the means of the great new middle market—the market where the most money has shifted. If you do persuade this market to buy wall-to-wall, he says, they have to buy a watered-down product. They can't afford quality carpet, plus the installation costs, the waste yardage in cutting, and the maintenance costs that wall-to-wall carpet entails.

PETERSEN cites several reasons why wall-to-wall fails to meet the needs of today's consumer. Most important is that the consumer today lives on wheels. Census figures show that 31.5-million people changed their addresses during 1954.

Once a carpet is laid, it costs a lot to pick it up and move it. It will have to be recut to fit a new space, or else trimmed down to a rug. In households where children wear tracks across the carpet, you can't shift wall-to-wall carpet to minimize traffic wear.

The shift of income to the middle group has also hurt. This group will think a long time before it spends $500 for carpet—especially when this same market is avid for TV sets, cars, labor-saving appliances.

In another respect, wall-to-wall styling has had a disastrous effect, Petersen believes. When the Oriental rug was in its heyday, the rug was a focal piece in decoration. When you go in for wall-to-wall carpet, you have to subdue your colors. The carpet becomes merely a background, just as the wall now is.

ALMOST TO A MAN, the industry rejected Petersen's view. Some ask: What's the difference between selling an "area rug" and selling a piece of broadloom cut almost, but not quite, wall-to-wall? One skeptic felt that Petersen succeeded mainly in arousing interest in the new Alexander Smith lines to be shown at the Chicago show in January—lines that Petersen has promised will be "drastically" different.

Petersen grants that there is no single panacea. He grants, too, that there is a place for wall-to-wall carpet. But basically, he insists, it is the product that is at fault.

"You can advertise buggywhips all you want to," he says, "but you can't sell them."

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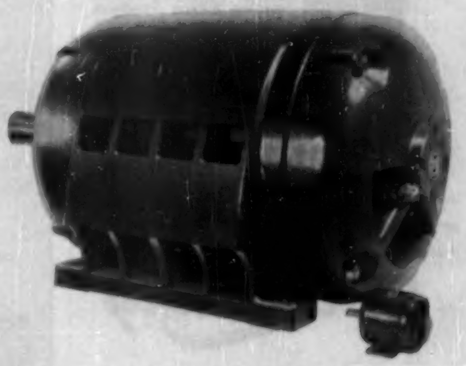

Motor Ratings	⅛ to 400 H.P. All phases, voltages, and frequencies.
Motor Types	Squirrel cage, slip ring, synchronous, repulsion-start induction, capacitor, direct current.
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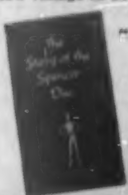

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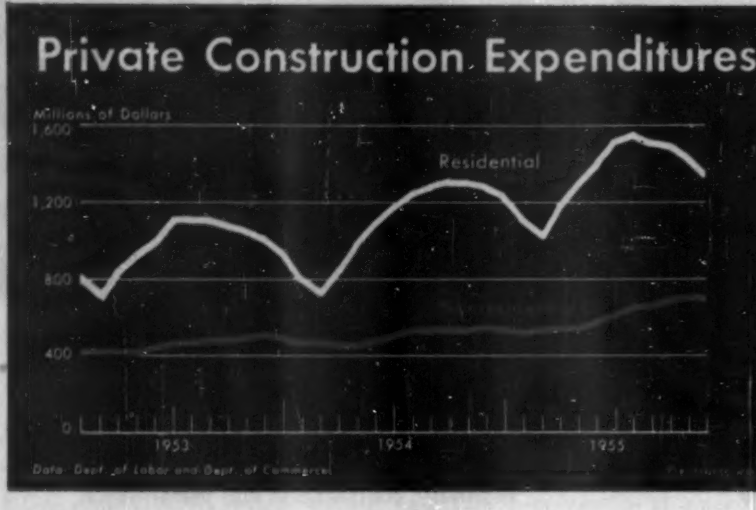
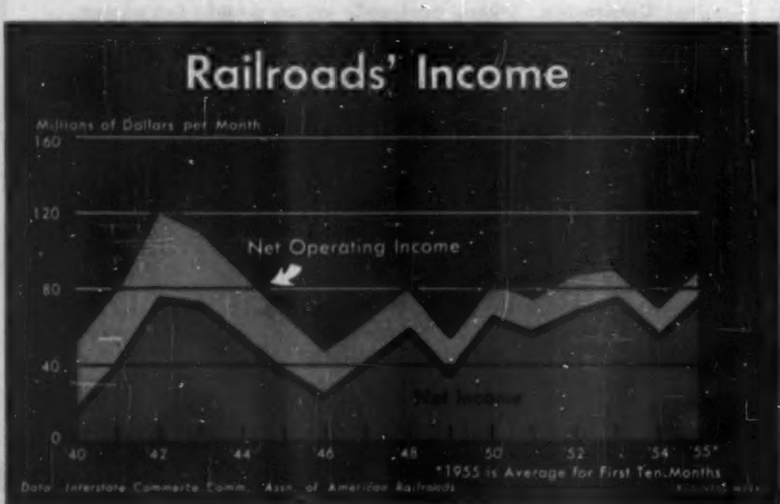


Outlook Still Is Good

Private expenditures for residential construction dropped in November for the fourth month in a row. The decline —5.6%—reflects the decrease in housing starts. But nonresidential building is continuing at high levels, somewhat offsetting the housing decline. In November, private expenditures for nonresidential building dipped only slightly below the peak reached in October, while residential expenditures slipped 8.2% under their August peak.

The prospects look good for nonresidential building to continue rising, making up for any possible new declines in residential building. Businessmen plan to spend larger sums on new plant and equipment and there still is a pressing need for new school buildings. More churches and hospitals probably will be built, too. And highway construction is expected to pick up.

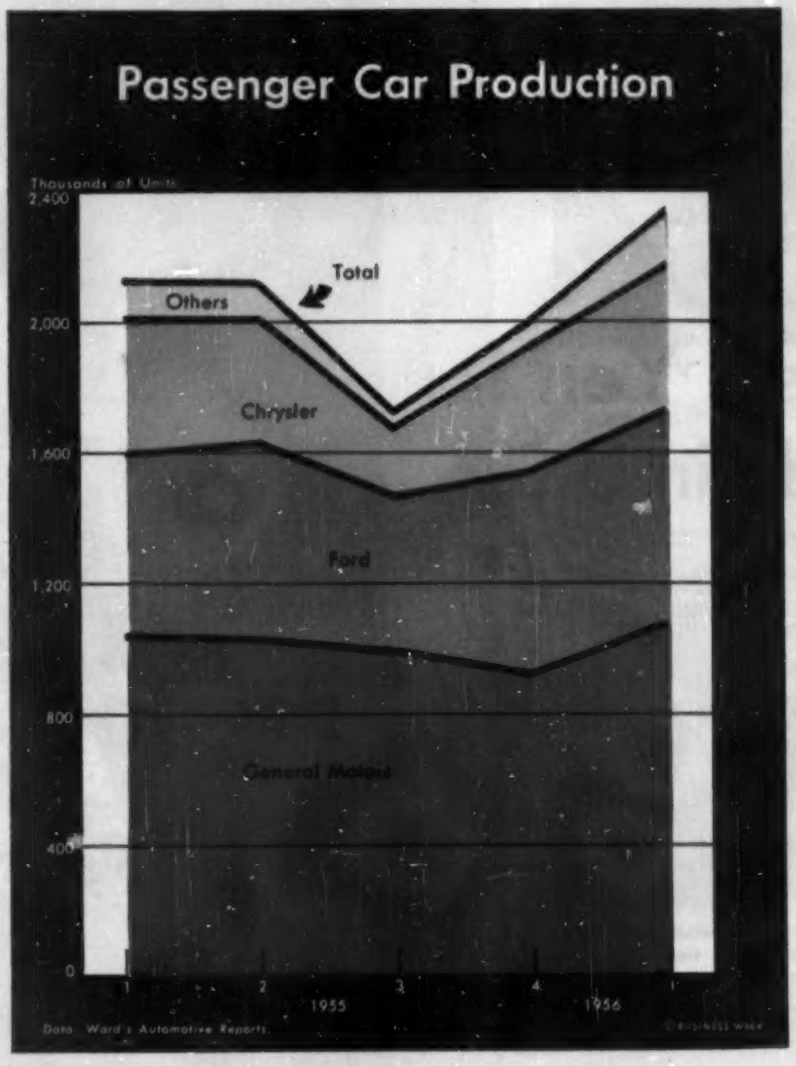


Skirting Close to a Record

Net earnings of the nation's railroads this year are nearing past records ($897-million in 1929, $901.7-million in 1942, and $902-million in 1953). Yet, with November and December figures still to be reported, most financial observers

doubt that the carriers can quite make it.

Results through October, however, could hardly be faulted. For the 10 months, the average earnings equaled 1942's annual average. Net for October was $92-million, for the 10 months it was $753-million. This near-record performance is being achieved despite the fact that operating income has fallen far short of the 1942 peak (chart). The improvement is credited, in no small measure, to the role of accelerated amortization. (BW–Dec. 17'55,p152).



Another Peak Scheduled

Shattering records seems to have become the rule this year for the auto industry. And 1956 will start right off in the new tradition with a first quarter that will top any quarter in history, according to Ward's Automotive Reports. Schedules for the quarter call for over 2.3-million completions, 16.6% above last-quarter 1955, and 10% above the year-ago quarter.

Every company except Willys Motors, which has no plans for passenger car production in the quarter, intends to boost output over the year-before quarter, and over the quarter just ending. For Ford, American Motors and Studebaker-Packard the share of total passenger car production will be greater than in first-quarter 1955.

Ward's suggests that these robust schedules indicate producers are planning to build up large stocks early in the year, to pave the way for early changeovers to 1957 models.

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BUSINESS ABROAD

Peter Kaufman, chief buyer for one of Switzerland's largest department store chains, spent a busy week in New York rounding up stuff for an "American fair." Today . . .

Europe Has a Yen for Goods Made in U.S.A.

Peter Kaufman, Swiss department store buyer (pictures), has been on a hectic, whirlwind tour of midtown Manhattan's wholesalers and manufacturers of consumers' goods. He examined, discarded, chose—all with an eye for items that would appeal to the hausfrau back home in Switzerland. Next May, the fruits of his shopping spree will appear as the centerpiece of an American fair in Globus department stores in Zurich and four other Swiss cities.

Kaufman's trip was a sign of an important trend in Western Europe: a growing interest in made-in-U.S.A. goods. It's a reflection, in part, of Europe's present prosperity—rising personal incomes, the birth of a genuine mass market for consumer goods (BW—Feb.26'55,p130), and all that goes with it.

It's also a reflection of the new status of American goods in Europe—advertised in the mass U.S. magazines that enjoy increasing circulation overseas (BW—Oct.8'55,p138), modeled by American tourists, and displayed, of course, in our movies. There's magic in "made-in-U.S.A."—and many a European housewife dreams of a home with American-type furnishings, gadgeted with U.S. appliances, and herself attired in "California" sportswear.

• **Appeal**—Just as European goods have come to the U.S. in an increasing flow—billed as "unusual" handiwork or as "chic"—U.S. consumer goods are finding more favor in Europe. For various products, there are different reasons in different countries, but over-all they are:

• Color and design. European manufacturers still trail the U.S. in the use of bright colors and more radical designs.

• New products. Some fairly common American materials, such as synthetic fabrics, are still hard to find in European-made products. Others, such as many new American gadgets, aren't made there at all.

• Style and sales appeal. Mass production methods in the U.S. often result in a product—such as ladies' ready-to-wear—that European manufacturers can't begin to match for the price.

• **No Bonanza**—It's important to remember that U.S. consumer goods don't now, and probably won't in the future, flow into Europe in any great volume. Dollar reserves are higher, but European nations still haven't the resources to go on a buying binge for non-essentials that cost dollars.

Nor do European producers intend to let American consumer goods producers walk off with their markets.

• **Draws Customers**—"Made-in-U.S.A." has promotional—as well as sales—appeal. Europe's great department stores, which for generations have bought specialties from all over their continent, are everywhere stepping up their use of U.S. merchandising gimmicks—ballyhoo, parades, "special events." And American fairs are playing a big part.

Right now Grands Magasins des Galeries Anspach, a Belgian chain with headquarters in Brussels, is holding a

COLOR attracted Kaufman (left) to this

Fuller Fabrics print based on French modern painting.

AMERICANA such as jazz records and mass-produced record player (in foreground, right), draw customers to European displays.

NOVELTY has a special appeal to Swiss buyers, as to other Européans. Many of the newer gadgets and new materials aren't made in the Old World.

STYLE of Martex towels interested Kaufman, but he didn't buy many for his store chain. Price is high for his customers after a Swiss tariff on rayon content is added.

THIS IS NATIONAL STEEL

How to Move More Freight with Fewer Cars—

Here's how an amazing idea in steel solves the problem of inadequate flooring in railroad cars...

Until National Steel developed Nailable Steel Flooring, there was no answer to a serious problem of America's railroads.

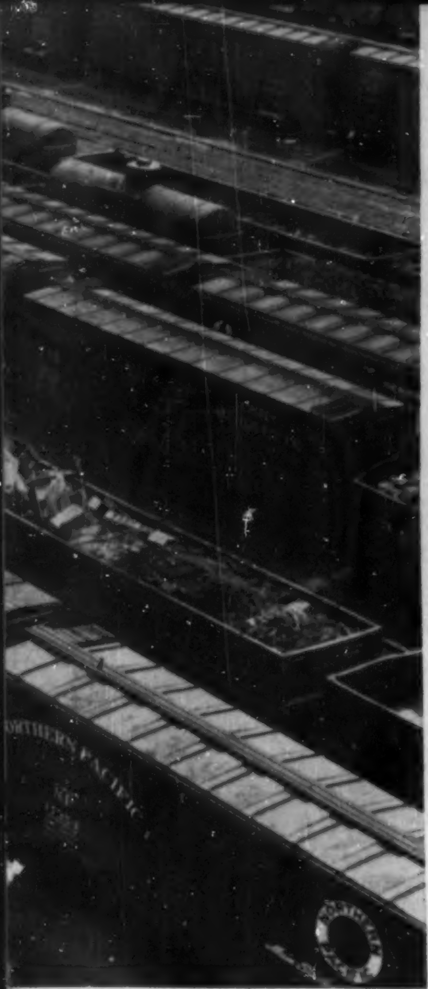
Floor failures were causing freight damage. As a result, many cars were being rejected by the shippers as unsuitable for safe transportation of their freight.

Old-fashioned car floorings were limiting use of mechanical loading equipment. Rising labor costs and loss of revenue during repairs were posing serious threats. Then, in 1947, National Steel found the positive solution.

It was Nailable Steel Flooring.

Its strength is steel!

Nailable Steel Flooring is made of strong, corrosion-resistant N-A-X HIGH-



Nailable Steel Flooring is ideal for finished freight that must be tightly secured by blocks that are nailed into place. Nailable Steel Flooring's unique design permits loads to be blocked and then nailed right to it.

N-S-F keeps the car in service even under the hardest usage—withstands the strain and pounding of mechanical loading devices with the impact resistance and the strength of steel.

Nailable Steel Flooring is equally right for loose bulk freight such as grain. The self-sealing filler between the steel channels maintains a smooth, tight floor that prevents the leakage of fine bulk loads.

Nailable Steel Flooring is made of low-alloy N-A-X HIGH-TENSILE steel formed into channels and welded together to form a unique nailing groove. The nail is clinched in a tight grip of steel.

TENSILE steel formed into channels and welded together to form a unique nailing groove.

Nails are clinched in a tight grip of steel to hold blocking firmly in place, yet can be readily removed without damage to the floor.

Look at these advantages!

Nailable Steel Flooring is a dependable, trouble-free surface that withstands repeated nailings and affords the best possible security for all kinds of freight. In addition, unlike other flooring, it actually adds strength at critical points of the car structure.

N-S-F withstands the strain and pounding of mechanical loading devices because of the greater impact- and wear-resistance of N-A-X HIGH-TENSILE steel, and it can be used to carry *both* loose bulk freight and blocked finished freight!

As a result, N-S-F improves car supply and reduces operating costs. A gondola, for example, that carries rough freight one way, is available to carry finished freight on its return.

National's role

In the few years since the introduction of Nailable Steel Flooring, more than 40,000 boxcars and gondolas equipped with N-S-F have been put into service or are on order by 60 leading American railroads.

The development of N-S-F by our Stran-Steel Corporation is just another example of National Steel making better steels for the better products of American industry.

At National Steel it is our constant goal to produce steel — America's great bargain metal—of the quality and in the quantity wanted, when it is wanted, at the lowest possible cost to our customers.

NATIONAL STEEL

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NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

WOMEN'S SPORTSWEAR is getting popular in Europe and Kaufman, pointing, kept it high on his shopping list.

BY SUBWAY, Kaufman (left) canvassed New York, trying to scoop competitors.

CHEESE makes a snack for Kaufman in his hotel at the end of busy day.

MADE IN U. S. A. starts on p. 50

U.S. fair; it came off when word got out that A l'Innovation, another big Belgian chain, was sending 40 buyers to New York to prepare for a fair next March. Three Dutch chains had recent fairs—and at least one of them, C. & A. Brenninkmeyer, plans to repeat it sometime in the spring. In Switzerland, other chains besides Kaufman's are toying with the idea.

Even France—dollar-short and in many ways Europe's most conservative market—has had similar promotions. Paris' swankiest mass retailer, Au Printemps, held an American fair last year; it is reported thinking of a repeat performance. In Germany, a large Hamburg store is reported to be planning a May fair. Sweden's largest department store, Nordiska Kompaniet, staged a "California" promotion as early as 1947—and only rigid exchange controls have prevented it from repeating the project.

British storekeepers haven't staged such fairs because of tight exchange regulations. They claim, moreover, that U.S. exporters aren't interested in selling them the small quantities they are able to import.

• **Price Disadvantage**—The U.S.A. fairs are much the same kind of tourist, cultural, and commercial potpourris that U.S. stores have staged to sell imports—like a Gimbel's "Dutch" fair or a Macy's "Italian" fair. The idea is primarily to get people in the store—more a promotion than sales campaign because American merchandise is often high-priced by European standards.

There are exceptions, to be sure. Europeans say that U.S.-styled cotton dresses, for example, can't be bought elsewhere so cheaply as on Seventh Avenue.

• **Markets Vary**—Curiously enough, it's the smaller-volume markets of Western Europe—Switzerland, Belgium, and the Netherlands—where American consumer goods are getting their biggest ride. Before the war, companies like Kirby, Block & Co., a New York resident buying house with a large number of foreign clients, sold their biggest volume of consumer goods to Britain and Commonwealth countries—Australia, New Zealand, and South Africa. Today, more than 50% of their sales go to Continental Europe, largely to the Low Countries and Switzerland.

That's because these smaller countries are relatively better off than their neighbors in dollar-earning capacity. The Swiss have plenty of dollars from their sales in the U.S. and from their position as banker to the world. (In the first 8 months of this year, they bought about $75-million worth of consumer goods from the U.S.) Belgium has a more favorable trade balance with the U.S. because of her sales of uranium and other minerals from the Congo. The Dutch are also strong dollar-earners.

• **Featured Items**—The fairs in the Low Countries and Switzerland feature a variety of American goods that run the gamut of household merchandise and personal items. The Swiss like U.S. textiles, even though their own country produces cloth every bit as fine in quality. That's because American patterns are more colorful than conservative Swiss design. That goes for ladies'

dress styles, too; the Swiss housewife is just beginning to take to the sportswear that has long been popular in the U.S.

The fair at Anspach in Brussels features novelty underwear for girls, Dacron shirts, and other merchandise the Belgians don't make yet. A l'Innovation will display 15 types of "super-American wallpaper" calculated to appeal to the Belgians, who put more accent on warm homes and personal comfort than perhaps any other Europeans.

In Holland, Byenkorf's show last year ("See America in Byenkorf") featured textiles, chinawear, utensils, and foodstuffs. C. & A. Brenninkmeyer, Holland's largest clothing retailer, concentrated on dresses and "separates"—even though American sizes are a little snug for Dutch women. A third Dutch store, Vroom & Dreesmann, put the accent on dresses, underwear, shorts, household goods, toys, and cosmetics.

• **Import Restrictions**—These goods sell despite prices that are usually high by European standards. Even in Paris, which so often sets the style for American dress manufacturers, women pay 60% more for U.S.-made dresses, double the Detroit price for an American car, and four times U.S. prices for Kleenex. These prices are the result of high import tariffs.

In Britain, imports of consumer goods are limited to 30% by value of prewar imports. Since Britain's demand for consumer goods is up sharply postwar, and so are prices, these imports cover only a small fraction of the demand. Still, British stores try to maintain a liaison with the New York market by sending over buyers.

West Germany is experiencing a growing pressure for heavier imports (BW—Dec.3'55,p137), partly as a government-backed campaign to keep prices down and to break the monopoly of domestic producers. But less than 2% of the goods sold in German stores is made in the U.S.A.

Scandinavia, which set many of the trends in modern American household design, now looks to U.S. merchandise. NK, Stockholm's largest store, stages an annual "Bride and Home Show" that features U.S. goods, especially kitchenware. Last month, NK held an "America Plays" promotion built around U.S. toys.

• **Outlook**—Henry Miller, a Kirby, Block vice-president in charge of foreign sales, says European interest in a given product is usually short-lived. As soon as an American design or gadget catches on in European markets, it is copied and manufactured locally.

Only by maintaining a technological lead in manufacturing—and a lead in design and style—can U.S. industry hope to hold on to a piece of the European market, Miller says.

AEC for Europe

That's what Euratom would be. With U.S. backing the plan seems to have good chance of materializing.

The dream of a federated Western Europe seemed a will o' the wisp once the French voted down the European Defense Community in 1954. But dreams die hard—and this one has reappeared in more seductive form: the proposal for a European atomic energy agency.

Next month, Belgian foreign minister Paul Henri Spaak will submit blueprints for the agency—called Euratom—to the six nations that now belong to the coal-steel pool. The details are secret but the scheme, largely the work of Jean Monnet, is almost certain to call for federal powers over Europe's nuclear industry.

In the end, Euratom may not have such strong supranational authority. There are objections from some powerful European business and political groups. But prospects for the eventual creation of Euratom—at least as a coordinating agency—seem bright (BW—Dec.17'55,p138).

• **Aid Pledged**—The Eisenhower Administration is solidly behind the plan. Last week, Secy. of State Dulles pledged diplomatic support, and know-how to Jean Monnet, prophet of the European integration movement. Both feel that Euratom comes at an important period in European history.

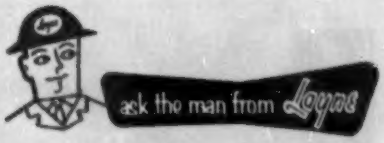
Among the Europeans, the lesson of last summer's atomic conference in Geneva is sinking in—that the atomic age is flowering so rapidly that Europe must organize its resources now to create a first-rank nuclear industry. Otherwise Europe will not only be unable to meet its mushrooming energy needs, but will risk becoming an "underdeveloped" area, squeezed between Soviet and American atomic giants.

There's diplomatic appeal as well. Many statesmen believe Euratom would provide an incentive to Western Europeans disillusioned by the fading of the Geneva spirit, and would strengthen the continent for the fiercely competitive coexistence ahead.

And Euratom would bind West Germany more tightly to the West, and simultaneously provide controls over the development of Germany's nuclear industry.

Though the diplomats don't say it, there is fear that German atomics could be dangerous if left to develop on their own.

• **Benefits**—Spaak, Monnet, and other "Europeans" think of a powerful Eur-



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atom as doing for Germany, France, Italy, and the three Benelux countries what the Atomic Energy Commission does for the U.S. Euratom should:

- Coordinate research, assign specific projects to individual nations, set up pooled research installations.
- Procure and distribute fissionable materials—importing at first, but one day building its own processing plants.
- Act as a clearing house for investment and construction in nuclear power development.
- Establish a common market for nuclear power, feed it into the fast-growing intra-European power grid.
- Generate capital for nuclear development on a continental scale, largely through a common investment fund, which would receive contributions from members (and hopefully the U.S.) and float bond issues.

Estimated cost of a European nuclear power development over five years varies from $500-million to $1.5-billion—over and above the cost of comparable conventional power capacity of the same output. Whatever the figure, all agree that joint development would be far less expensive than doing the job on a compartmented, national basis.

• **Opposition in Germany**—Not all agree that a supranational Euratom would be a good thing. German industrialists—backed by atomic energy boss Franz Joseph Strauss and Economics Minister Ludwig Erhard—are against it. In fact, they sent an emissary to Washington to ask the Administration not to back the plan. They argue Germany is ready to get cracking on atomics if it can get U.S. help. Euratom, these Germans maintain, would become a bureaucratic jungle, stifling progress.

The argument hasn't cut much ice in Washington, nor has it with Chancellor Konrad Adenauer, who sees in Euratom a chance to rejuvenate his policy of integrating Germany with the West.

There is opposition in France, from Gaullists, Communists, and some of the followers of former Premier Mendes-France. But Euratom will be easier to sell to the French Assembly than EDC.

• **Sharing Secrets**—Finally, there are problems in the U.S. Sweeping changes in U.S. foreign atomic policy would be needed before Washington could fully share fissionable materials and knowhow with Euratom. The changes would be fought by some military figures—and by some politicians who might denounce supplying atomic stuff to nations (like Italy and France) with big Communist parties.

But, so far, the political balance in Washington seems to favor Euratom. And businessmen might find Euratom a boon to the U.S. atomic industry. END

In Business Abroad

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Experts Give Business a Tax Tip On How to Handle Foreign Investments

Note the gathering controversy over taxation of overseas earnings of U. S. business. Next year, the Administration means to press for a 14 point cut in the corporate tax rate on most foreign earnings. Last week the plan ran into trouble.

At a hearing of the Joint Subcommittee on Tax Policy, Democratic tax writers took a dim view of businessmen's argument for the preferential rate on foreign profits—a "windfall," they believed, that hadn't been justified. They got support from two experts. Prof. Roy Blough of Columbia felt the tax preference idea had been "oversold," and would cost the government revenues without encouraging much more foreign investment. New York tax expert Ira T. Wender agreed.

This week, Wender and E. R. Barlow—who have been studying foreign investment at Harvard Law School—unveiled a proposal for a new United States Foreign Business Corp. A company could set one up to handle its exports and investments. As long as it used its foreign earnings abroad, it would be allowed to defer payment of U. S. taxes on those earnings. Now, many U. S. companies go through the occasionally uncertain process of setting up foreign companies in tax havens like Panama and Liberia (BW—Oct.1'55,p122).

Thus Wender and Barlow think tax deferral—rather than tax reduction—is the best way to handle the matter. They say that taxes have played only a minor role in investment decisions. Indeed, the researchers found "no instance among investors where the higher rate of return that would result from lower U. S. taxes would have changed a decision made against a specific foreign investment."

"One of the outstanding characteristics of companies engaged in foreign investment," say Barlow and Wender, "is that they tend to begin with a small investment . . . and expand out of retained earnings."

The main problem, Barlow and Wender suggest, is the non-investor—the top executive who too often isn't interested in foreign possibilities.

They believe the U. S. Foreign Business Corp. idea might have "dramatic appeal" as an incentive.

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British TV Advertisers Gripe Over Media's Slow Start

British commercial TV—just three months old—has growing pains. Both London commercial companies are in the red; and last week both cut out all morning programs.

Advertisers found that morning shows just weren't pulling. British housewives prefer to shop, do housework; many, to be sure, have outside jobs. Moreover, all commercial TV—morning, evening, weekend—hasn't brought advertisers the sales they hoped for.

Advertisers tend to compare TV audiences with newspaper audiences. True, the number of sets adapted to receiving commercial programs (as opposed to the regular British Broadcasting Co. fare) has jumped fivefold, to 500,000 of a total 1.5-million. But papers like the Daily Mail and Daily Express boast circulations of 4-million and over, and the Sunday News of the World has 8-million readers.

But no one is crying havoc. Commercial TV, still rough around the edges, is pulling half of the total audience, and is spreading across the country. Costs will drop with wider audiences and opportunities to share programs on a network basis. And while advertisers complain, many of them continue to plunk down as much as £1,000 per minute during peak hours.

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Eire Strums Come-Hither Harp To Lure U.S. Manufacturers

William Norton, Eire's deputy prime minister, arrives in this country next month with a message from the ould sod: Ireland is a good place for U. S. investment.

Norton, who is also the Republic's minister of industry and commerce, will take his message to New York, Pittsburgh, Washington, San Francisco, and Los Angeles. And it's not all blarney. The Irish have worked out a three-year industrialization scheme that offers new manufacturing tariff protection, special tax benefits for exporters, plus the country's natural advantages—an abundant labor supply, good communications, and proximity to British and Continental markets.

Dublin has already had some success in attracting Swedish and Belgian manufacturers. More industry, Eire hopes, will remedy chronic problems such as unemployment and a sharp trade deficit (which grew by $58.8-million in the first 10 months of the year).

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Business Abroad Briefs

British auto makers, winding up their first million-car year, have distribution troubles: Dealers' stocks are higher than ever, and Britons can buy most models off the floor. Dealers, pressed by the credit squeeze, refuse to take more cars; manufacturers want to keep volume climbing. All regard the glut as seasonal, aggravated by import cuts in Australia and tight money at home.

The Ruhr is agog with talk that U. S. businessmen may buy into Gelsenkirchener Bergwerks, AG, huge German coal producer. Seems that a Bremen businessman has bought up 22% of the stock; denied a place on Gelsenkirchener's board, he's trying to sell the block to Americans through Swiss intermediaries.

Miami memo: Florida's Supreme Court has validated a $70-million bond issue of Inter-American Cultural & Trade Center, a huge permanent trade and tourist extravaganza in the planning stages for several years now. First contract bids are to open Jan. 3. . . . Colombia's Banco Popular is back in town, hoping to buy some Miami bank for its fast-expanding hemisphere operations.

In Washington

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Court Adds New Confusion To Gas Price-Fixing Dispute

The dispute over how tightly producers of natural gas should be regulated by the Federal Power Commission is complicated enough. But a U.S. Circuit Court of Appeals decision last week has compounded the issue.

Oil country congressmen and oil and gas producers are fighting federal price-setting at the source of supply—the well in the field. They are pinning their hopes for victory to a bill already passed by the House and ready for Senate debate and vote.

Cities and other consumer groups oppose the legislation, arguing that the price of gas at the well is an integral part of the price of gas at the kitchen range or industrial plant.

The legislation, the Harris-Fulbright bill, is designed to modify a Supreme Court decision directing FPC to regulate gas producers as well as companies that distribute gas in interstate commerce. **One of the big arguments of the bill's sponsors is that a system of pricing based on the fair field price arrived at in free bargaining is enough to protect the consumer.** In April, 1954, FPC ruled this method of pricing is a legitimate one for pipeline companies that produce gas.

But protests came from officials in Detroit and Wayne County, Mich. They contend the federal government should regulate gas prices in the field, and oppose the average fair field price for natural gas carriers. Their appeal resulted in last week's decision.

The court sent the controversy back to FPC for review. **It said that the Panhandle Eastern Pipe Line Co., which won the fair field price, and FPC would have to make a better case before the court would agree to a change from the historic method that gives only cost of production as a factor in setting a rate—not what price the market would pay.**

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Science Foundation Gives Out Data on Research Spending

The National Science Foundation has come up with an estimate of over $5-billion for total U.S. research and development spending. The figure is based on a survey of spending for 1953, and is at least 25% higher than the best previous estimate.

About a third of the total amount is spent in government laboratories, colleges, and research foundations. The remainder—about $3.5-billion—is spent in private industrial labs, though a third of this is paid for by government contract.

It's the industry figure that is definitive. **The foundation hired the Bureau of Labor Statistics to gather research and development figures for 1953 from all 3,000 companies with 1,000 or more employees and from 8,000 smaller companies.**

These are the highlights of the BLS survey:

• Electrical and aircraft industries spend the most on research and development—about $750-million a year each.

• Of the 15,560 estimated total companies that do research and development work, about 13,000 had fewer than 500 employees. But these companies spent only about 10% of the total. The 375 largest companies spent about 70%.

• The chemical industry spent the most on basic research—about one-fourth of the total $149.4 million.

• A total of 554,000 scientists and engineers worked for the companies surveyed.

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House Unit Is Trying to Curb Negotiated Military Contracts

House Armed Services Committee will try to curb the Defense Dept.'s authority to buy goods through secret negotiated contracts and increase the volume of military orders placed through competitive bidding. **The committee reported this week 94% of military procurement in the past 2½ years was handled this way.**

Chm. Carl Vinson (D-Ga.) said the trend violates Congressional intent. **The law calls for competitive bidding, but allows negotiation of certain contracts during a national emergency if this is deemed in the public interest. Vinson wants to tighten up this escape clause.**

• • •

New Headache for Taxpayers: IRS Has Beefed Up Its Staff

Odds keep increasing that your personal income tax form will get a closer check from Internal Revenue agents than ever before. Main reason: **In the last two years, Treasury's Internal Revenue Service has increased its staff about 50%.** Nearly 4,000 agents have been added to the 8,800 IRS had back in 1953.

In addition, IRS has hired another 300 special agents to work on cases where fraud is suspected.

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ODM, Defense Dept. Squabble Over Rent for Army Equipment

Office of Defense Mobilization has approved the lease of 576 machine tools and other Army-owned production equipment to General Motor's Allison Div. for production of truck transmissions and parts. But this has led to a squabble with Defense Dept. on the matter of rent.

New Defense Dept. policy calls for a charge based on a sliding scale according to the machine's age. **This means Allision would have to pay up to 2% a month, or $68,000.**

ODM has charged a flat rate of 1% on leases of similar equipment to several GM competitors. **It opposes Defense Dept's higher rate. ODM's rate would mean a charge of $54,000 a month for Allison.**

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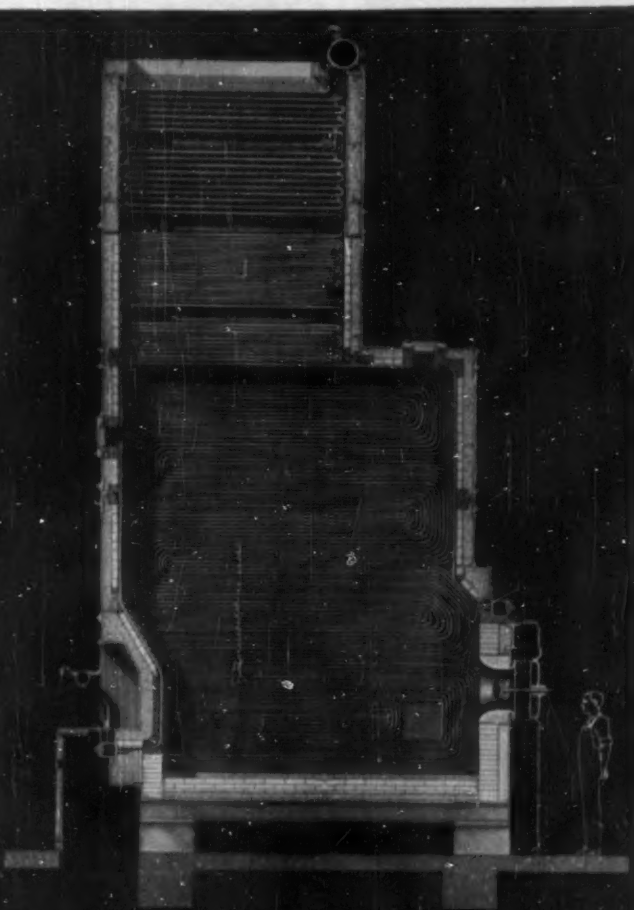

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Folsom's Aim: To Cut the Roots

These last 20-odd years the word "welfare" has dominated the vocabulary of politicians. And for more than 20 years, politician-businessman Marion B. Folsom (cover and left) has been trying to explain exactly why to his fellow businessmen.

He is still trying, but now, as Secy. of Health, Education & Welfare in the Eisenhower Cabinet, he is making a fresh start. He feels the time has come for a change in the old philosophy of public welfare. Folsom hopes political leaders in both parties will agree. But he would like to have businessmen on his side, too, and he's telling them why in a series of off-the-record meetings.

When welfare became a major concern of the federal government a quarter of a century ago, relief was the key. Most of the programs were designed to relieve an acute and massive need born of the Depression.

Now, Folsom wants to swing more and more of his new department's $2-billion budget to a happier task: removal of the fundamental causes of poverty. "Prevention" is the key to his view of how welfare fits into a rapidly expanding and prosperous economy. It is this concept of preventing poverty—rather than just relieving it—that he is now busily selling to the Eisenhower Administration, and which he hopes to sell to businessmen.

Folsom has broken the news to Pres. Eisenhower and to fellow Cabinet members that what he has in mind will cost money—a lot of it.

• **Powerful Shot**—He's not getting all the money he would like, but there are signs that he is getting enough to give a significant new turn to Republican plans for the 1956 campaign. In the programs his department will submit to Congress next month, GOP candidates will find new ammunition to use against Democratic charges that the Republican party is a party of the privileged and the powerful.

The changes Folsom hopes to make reflect the personal philosophy he developed over the years as a rising executive in Eastman Kodak Co., as a civic-minded citizen of Rochester, N. Y., as a leader in the affairs of the U.S. Chamber of Commerce, as a founder and later chairman of the Committee for Economic Development. It is a philosophy that the business community as a whole has been reluctant to embrace.

But now there are signs that Folsom's ideas are beginning to take hold among businessmen, who are beginning to see that 15 years of prosperity have dramatically changed the nature of

# of Poverty

poverty—and that the changes have opened new possibilities for attacking the problem of poverty.

• **Poker Face**—In some respects, a less likely salesman could not be imagined. In Washington, where a commanding personal presence is a hallmark of success, Folsom seems diffident, almost shy. He marshals facts with precision, but presents them with none of the showmanship of a top policymaker. His manner is that of a successful insurance actuary, not of a trail-blazer in the politically explosive field of public welfare.

Yet in his own quiet way, Folsom is a powerful and effective operator in the rough and tumble of government. One reason is that he knows his way around. For the last 20 years, he has spent about one of every four years in Washington on one government assignment or another—first during the Depression, then as a social security expert during World War II, as a postwar economic planner, and now as an Eisenhower team member.

But in all that time he has never tackled a job as trying as his present one. He must show Congress, and the voters, what Eisenhower's conservatives mean when they talk about being "liberal with people." For people—people in trouble—are now Marion Folsom's every-work-day concern. And most of this trouble, even in prosperous 1955, either starts with poverty, or ends with it.

I. New Face of Poverty

In the depths of the Depression, upward of 15-million families and an additional 5-million single persons were probably suffering from poverty. Unemployment—which reached a peak of almost 14.5-million in 1933—was the overriding cause.

In the U.S. today, the poverty-stricken are reduced to something like 5-million families and half that number of single persons. Exact figures are not available, partly because an income that means poverty for a large urban family may mean comfort for a smaller family, or for a family living in a low-cost rural area. According to Census Bureau surveys, 3.7-million families have a cash income of less than $1,000 and most of these are suffering from poverty by almost any standard.

Congressmen discussing welfare legislation, and professional welfare workers, often use an income of under $2,000 as a rough classification for low-income families. But there's no agreement on how many families fall within this classification: Census Bureau

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figures put around 8-million families in the group; surveys made for the Federal Reserve Board produce a total of somewhat over 6-million.

But whatever the true figure, 15 years of good times have plainly reduced the number of the poor to a point where talk about preventing poverty takes on a less ethereal ring.

• **Bypassed by Boom**—A closer look shows the special nature of poverty in a booming economy. Out of some 6-million low-income families, according to Federal Reserve Board estimates, more than two-thirds are either on farms or in towns of less than 2,500 population. Many of these were not reached by such anti-poverty devices as unemployment insurance or even old age benefits until recently. On a classification by age, one-third of the families are headed by persons over 65.

Thus, some solid pockets of poverty are not dissolved by prosperity based on high industrial employment. The poor, in these cases, are likely either to live in rural areas, or to be too old for factory work.

Folsom is gearing Health, Education & Welfare's new attack on poverty around the six causes that seem to him to be most important: unemployment, old age, sickness and disability, poor education and lack of training, death of the family head, and broken homes.

• **Hands for the Job**—The machinery he will work with is already at hand in the sprawling bureaus of HEW:

• The Social Security Administration oversees three major bureaus: One deals with the Old Age & Survivors Insurance program; one with federal grants to states for the aged, the blind, the permanently disabled, and dependent children; and the third handles special child welfare services.

• The Office of Education administers grants for land-grant colleges, and for vocational education.

• The Public Health Service works with states to control epidemics and communicable diseases, and pushes research. It also administers the hospital construction program.

• The Office of Vocational Rehabilitation sets standards and supervises grants to states for the retraining of workers handicapped by illness or accident.

• The Food & Drug Administration enforces laws designed to insure purity, quality, and truthful labeling of foods, drugs, and cosmetics.

Folsom ties these far-ranging activities together with his concern for the daily lives and problems of people. He likes to point out that everyone is involved in some HEW activity sooner or later—if not in traditional welfare programs, then in health, or education.

"In this department," he says, "we think of people not as statistics, but as human beings with human needs—sick people, children, old people, family groups, orphans, and widows."

II. First Move: Jobs

Even now, with industry in most areas near the bottom of the manpower barrel, unemployment is a major cause of poverty.

The number of unemployed is down to about 2-million, probably close to a minimum. Yet unemployment persists in concentrated pockets like the anthracite region of Pennsylvania, in soft coal districts, and in some New England textile towns. The White House will ask Congress to approve loans to local governments that start programs to attract new industries into these trouble spots.

• **Other Means**—But Folsom's own approach to the problem lies along other lines:

• Though it is not a direct function of HEW, he is joining Labor Secy. James Mitchell in urging states to liberalize their unemployment compensation rules.

• To attack unemployment that's caused by physical handicaps, Folsom's predecessor, Mrs. Oveta Culp Hobby, last year got a 28% increase in appropriations to step up vocational rehabilitation from 60,000 persons a year to an eventual 200,000 a year. But HEW estimates 2-million persons still need rehabilitation. So Folsom will seek an appropriations increase next year.

• Folsom is making almost a personal project out of a problem that long bothered him as a citizen of Rochester: Why should direct relief costs remain high—and even increase—in a period of widespread general prosperity? The answer is that some families get frozen into the relief setup, and ordinary social workers either don't try, or don't know how, to get them out.

Folsom likes to cite a test made in Allegheny County, Pa., where specially trained relief workers took charge of the cases of 285 families that had been on relief 10 years. The case workers were paid $16,000 in salaries. In 11 months, 64 of the families were off relief rolls altogether, 53 needed less assistance, and 168 more were receiving special services designed to make them more independent. In only 11 months the saving was $28,000.

Tests like this have convinced Folsom that relief rolls can be reduced without running the risk of cutting the poor off the rolls harshly. Social workers, he believes, might often be able to find at least one member of a family on relief who can get into productive work.

He has emphasized this at social workers' conferences, telling them that, in the end, it comes back to the principle of treating the cases of people on relief as "human beings with human needs"—and not just numbers on a roll.

And so, next year, Folsom will push for more money for the kind of specialized case work that has been done in Pennsylvania.

III. Aiding the Aged

Folsom's first break with the traditional business view of welfare was over old age and survivors insurance. He favored a federal program in the mid-1930s at a time when most business spokesmen argued strenuously against it.

• **Fight Impending**—Folsom still looks on the federal Old Age & Survivors Insurance program as the bulwark of Social Security. For that reason he may find himself before Congress next year in a hot fight with Democrats over changes in Social Security that have been voted by the House and are now before the Senate.

The first change would make women eligible for OASI benefits at 62 instead of the present 65. The second would give benefits at 50 and over for anyone permanently and totally disabled.

Cost of the changes would mean an increase of slightly more than 1% in the current Social Security tax. Employer and employee would each pay ½% more.

Folsom must take a stand on this bill. He has not revealed what it will be. But he is known to object to both changes, partly on the ground that the tax increases involved could weaken public support for the whole OASI program.

• **Diminishing Returns**—There's no deep philosophical reason for Folsom's opposition to the changes. It's just that he feels there is a point at which these taxes will give diminishing returns. That will come when the worker feels that the extra benefits he gets from liberalized Social Security no longer outweigh the loss of cash from his weekly pay envelope.

It's expected that he will recommend this stand on the issue to the Administration.

But Washington observers say the Administration will have a hard time stopping the forces behind the bill. Organized labor's top legislative officials say they'll make no more compromises over the changes.

IV. Education's Part

Folsom inherited another hot issue when he took his new office—federal aid to education. He quickly became convinced that some sort of federal assistance was needed to meet the shortage of classrooms, and he's preparing to

fight for that view when Congress meets.

Apparently, he has convinced the guardians of the federal budget—mostly his old Treasury chief, Secy. Humphrey—that the Administration should offer local school authorities substantial cash aid. Education spokesmen in Washington believe he originally asked the Administration for $400-million a year for the next three years or so; it appears he's getting much less—something like $50-million a year for four or five years.

V. Health's New Outlook

As with poverty, so with health: Where 15 years of prosperity have changed the nature of poverty, scientific advances in the last few decades have changed the nature of a government's approach to national health problems.

Many of the communicable diseases, such as smallpox, diphtheria, and typhoid, have virtually been conquered. Polio now seems well on the way out. Life expectancy has increased from 47 years, in 1905, to 69, today.

• **Research and Security**—So, of HEW's new health program, Folsom says, "We have changed our line of battle." He will ask Congress for an increase of about 25% in appropriations for medical research. He is pressing private insurance companies to increase health insurance coverage, and he's studying the Administration's health reinsurance plan, in the hope of making it more palatable to Congress.

VI. Conservative on the Move

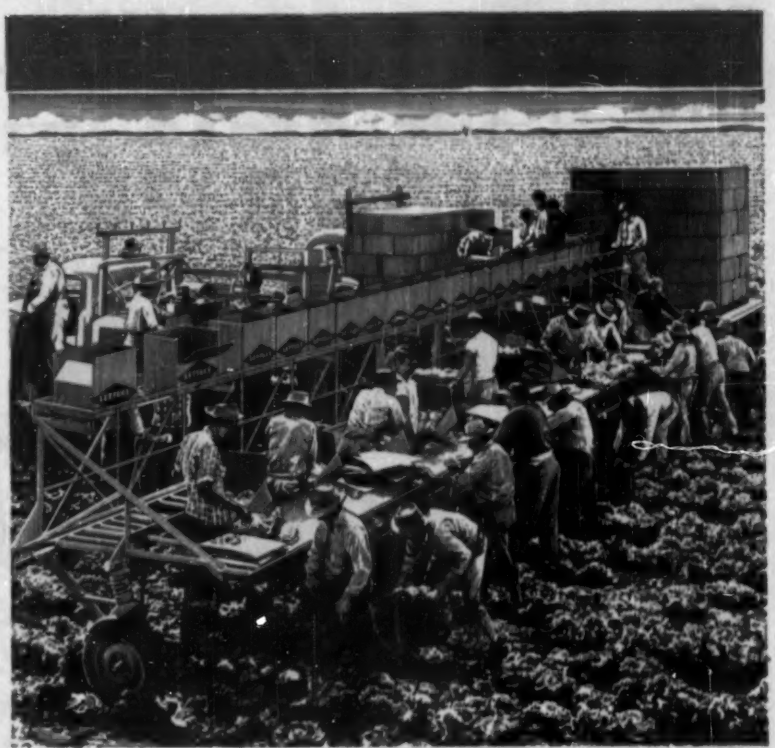
All his life, Marion Folsom has been taking cautious well-considered steps just beyond his natural habitat.

Folsom went to a private school in McRae, Ga., where he was born 62 years ago. Then he went on to the University of Georgia, as expected of the well-born in Georgia in those days. He broke the mold by making Phi Beta Kappa.

Harvard Business School came next, in the years before a spell there was fashionable for ambitious young men about to enter business.

He did not go back to Georgia. Instead, he stepped into the strange corporate world ruled by the capricious George Eastman. Thirty years ago, in Rochester, Folsom seemed to be the very prototype of the Man in the Grey Flannel Suit—the rising young executive, marked as a comer, clearly on his way to the top-most rung of business.

• **First of His Plans**—But once more he stepped off the beaten path. Rochester was hard hit by the 1920-21 recession, and Folsom worked out an unemployment insurance plan, to be operated privately for the benefit of Kodak employees. The recession lifted, and the plan did not get off paper. But



KEEP PROFITS FROM WILTING

Gaylord "crop-designed" boxes protect field-packed lettuce so it can be vacuum-cooled and shipped to market in crisp, fresh, top-price condition. Shipping fresh fruit and produce is real proof of the protective ability of precision-made Gaylord containers.

These same safe-shipping qualities are important to you . . . whether your product is delicate as a ripe avocado or husky as a home appliance. With modern corrugated containers, you can use the most modern packing and shipping techniques . . . with maximum protection. For the newest ideas in packing, call your nearby Gaylord office.

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Move more with the NEW MICHIGAN 12B!

Look, no clutch!

This new 15 cu. ft. capacity MICHIGAN Tractor Shovel features Clark's exclusive power-shift transmission. No engine clutch, no clutch pedal, no gear clash—completely eliminates the most notorious cause of excessive maintenance and down time. To shift between High, Low and Reverse, the operator simply pushes a finger-tip shift lever to the desired position.

20% more weight and power

With its 44 hp gas engine, or 42 hp diesel, the new MICHIGAN 12B is 20% more powerful than most machines in its class—and 20% heavier, too. This margin of weight, power and bucket breakout-action enables the 12B to dig its way into tough material where other machines merely spin their wheels. Write for complete information on the new 12B—it's available on Clark's no-down-payment Lease Plan. Ask for details.

CLARK EQUIPMENT

CLARK EQUIPMENT COMPANY
Construction Machinery Division
Benton Harbor 470, Michigan

Michigan is a trade mark of Clark Equipment Company

Folsom never lost his interest in social insurance. When Franklin D. Roosevelt called for the original Social Security legislation, he summoned Folsom to Washington as one of the country's recognized experts.

Early in World War II, Folsom was one of a group of business thinkers who began to doubt the general predictions of economic catastrophe after the war. They organized the Committee for Economic Development, which correctly foresaw what would really happen: While government economists were still predicting depression and 8-million unemployed, CED saw a peacetime boom.

Folsom resigned from CED in 1944, became staff director of a House committee on postwar economic planning. The reports of this committee are still good reading on what government should do to counteract a threatened depression.

Now he's back in public welfare, and he's pushing into new territory.

• **No Midas**—Over the years, he's not done too badly for himself. He told the Congressional committee that confirmed him as Under Secretary of the Treasury, in 1953, that he owned 1,750 Kodak shares (standing at $82 last week), plus interests in "10 or 12 other companies, none of which alone amounts to more than $15,000."

• **Easy Administrator**—For all his tidiness of mind, Folsom guides the sprawling enterprises of HEW with a loose and—on the surface—almost a casual touch. One of the first things he did when he took office Aug. 1, was to cancel the daily staff conferences that his predecessor, Mrs. Hobby, called for. He also instructed top aides to stop the flow of elaborate staff papers that had gone to Mrs. Hobby. "Just tell me," Folsom asked.

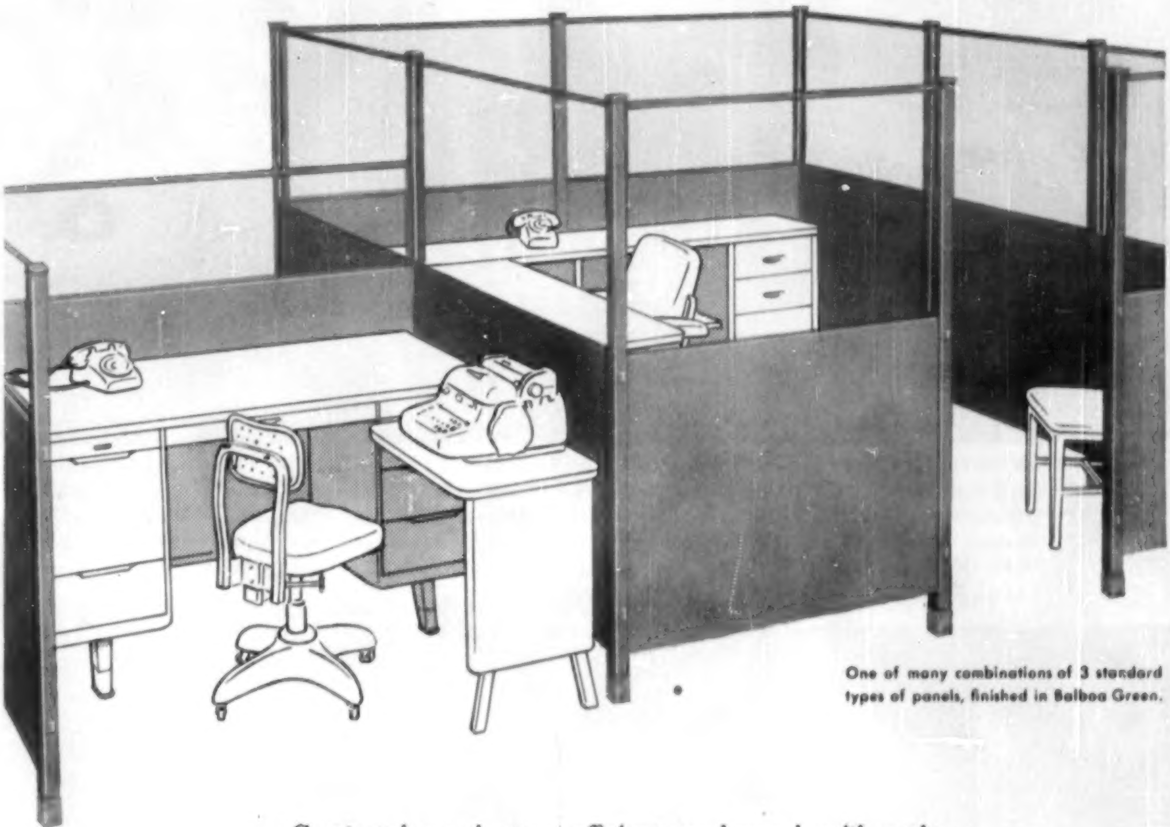
He talks easily, but with a mildly worried air, as though he were constantly afraid of saying the wrong thing. With one leg hooked easily over the arm of his chair, he talks cautiously about some of the things he has in mind for welfare.

"No, you can't actually eliminate poverty. There's always some that you can't do anything about. But there's a lot that you can do something about.

"You can get a lot of handicapped people off relief rolls. You can get a lot of people out on their own who now seem helpless. You can begin someday—when the necessary research is in—to do something about those who are handicapped by mental illness. You can give the retarded special education, and make them self-sufficient. Maybe you can check delinquency—for delinquency, too, may lead to poverty.

"You need imagination," Folsom says. He's applying it now—with characteristic caution. END

Offices tailor-made for every job with GF STEEL PARTITIONS



One of many combinations of 3 standard types of panels, finished in Balboa Green.

Create privacy, increase efficiency and morale with modern color-styled partitions, adjustable to any floor space

You can use GF steel partitions to tailor an outer-office layout into efficiently arranged work enclosures, individual offices and open-end sections. Thus, with minimum disturbance and least expense, you give the dignity of privacy to workers and add to office efficiency. And you also add beauty, as GF partitions are available in quiet blending tones of Balboa Green, Pebble Beige or Gray.

The flexibility of assembly possible with standard-size posts, panels and doors allows for office arrangements in all shapes and sizes. Alterations can be made quickly and easily in any direction to meet future layout changes. No interference with present or future heating or ventilating systems. Furnished in four standard heights, panels can be fitted with inserts of clear or opaque glass, solid steel or acoustical material.

As compared to plastered walls, GF partitions take up less floor space and cost only about two-thirds as much. They can be moved by your own maintenance men with no repairs needed to floors, walls or ceilings. For full information, visit your local GF showroom (see classified directory), or write for catalog in color. The General Fireproofing Company, Department B-54, Youngstown 1, Ohio.

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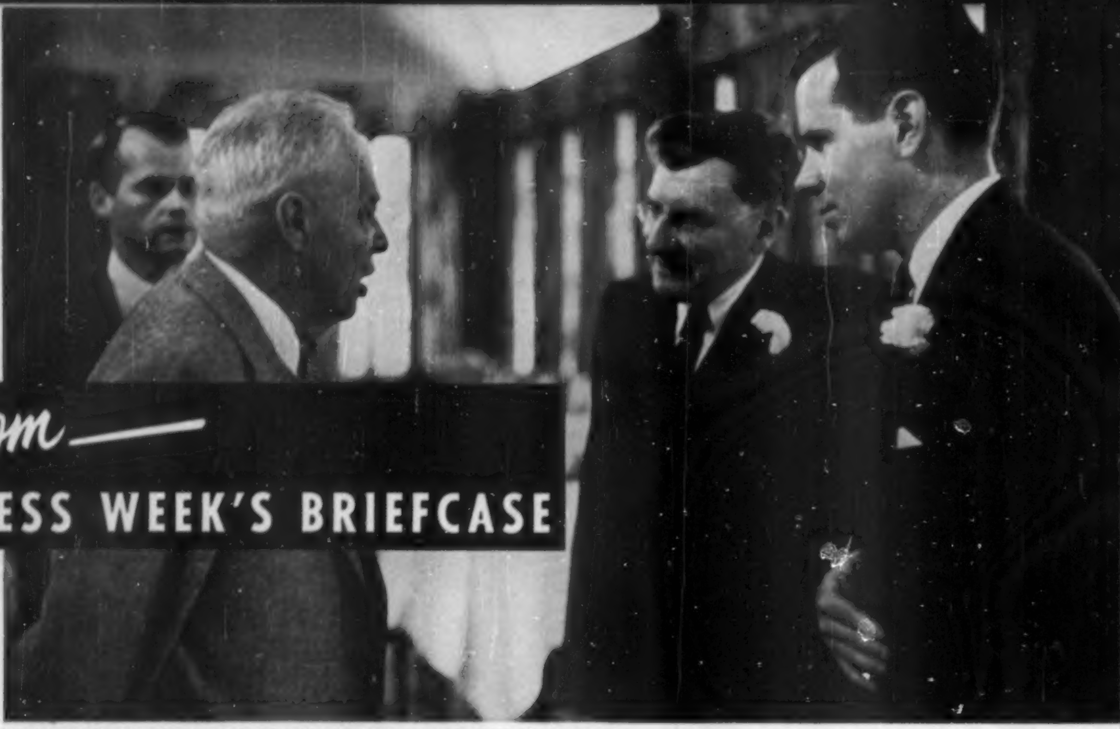
News from — BUSINESS WEEK'S BRIEFCASE



BUSINESS WEEK OPENS NEWS BUREAU IN MILWAUKEE . . . As part of a continuing program to expand its national business news coverage, Business Week established a full-time news bureau in Milwaukee in October. During the past six years, Business Week has opened six full-time news bureaus—in Los Angeles, Pittsburgh, Boston, Houston, Philadelphia, and Toronto—bringing to thirteen the total number of news bureaus now serving Business Week. On the right, greeting guests at the opening, are Elliott V. Bell, Editor and Publisher of Business Week, and Charles M. Garvey, Manager of the new Milwaukee Bureau.

HOW LUKENS STEEL SECURES EXTRA VALUE FROM ITS ADVERTISING IN BUSINESS WEEK . . . The Lukens Steel Company, like many Business Week advertisers, regularly uses merchandising aids to secure maximum value from its advertising in Business Week. Both the advertising campaign and merchandising aids are designed as a sales tool for Lukens equipment building customers. During the past two years, these customers have used more than 200,000 promotional pieces tying in with the Lukens Business Week campaign. Pictured above, reviewing the program, are members of the Lukens Market Development staff.

WHAT ABOUT ADVERTISING AGENCY PUBLIC RELATIONS? Kenneth Kramer (right), Managing Editor of Business Week, addresses the Eastern Annual Conference of Advertising Agencies in New York City on October 18. Subject: What the Press Thinks About Advertising Agency Public Relations. Business Week editors are in constant demand as speakers for radio, television, and business audiences.

Here is the Record—

OF TOTAL ADVERTISING PAGES

JANUARY—SEPTEMBER 1955

BUSINESS WEEK	4,071
LIFE	3,136
NEW YORKER	2,819
SATURDAY EVENING POST	2,607
TIME	2,340
U. S. NEWS & WORLD REPORT	2,171
NEWSWEEK	2,104
FORTUNE	1,136

Source: Publishers Information Bureau

ADVERTISING GOES

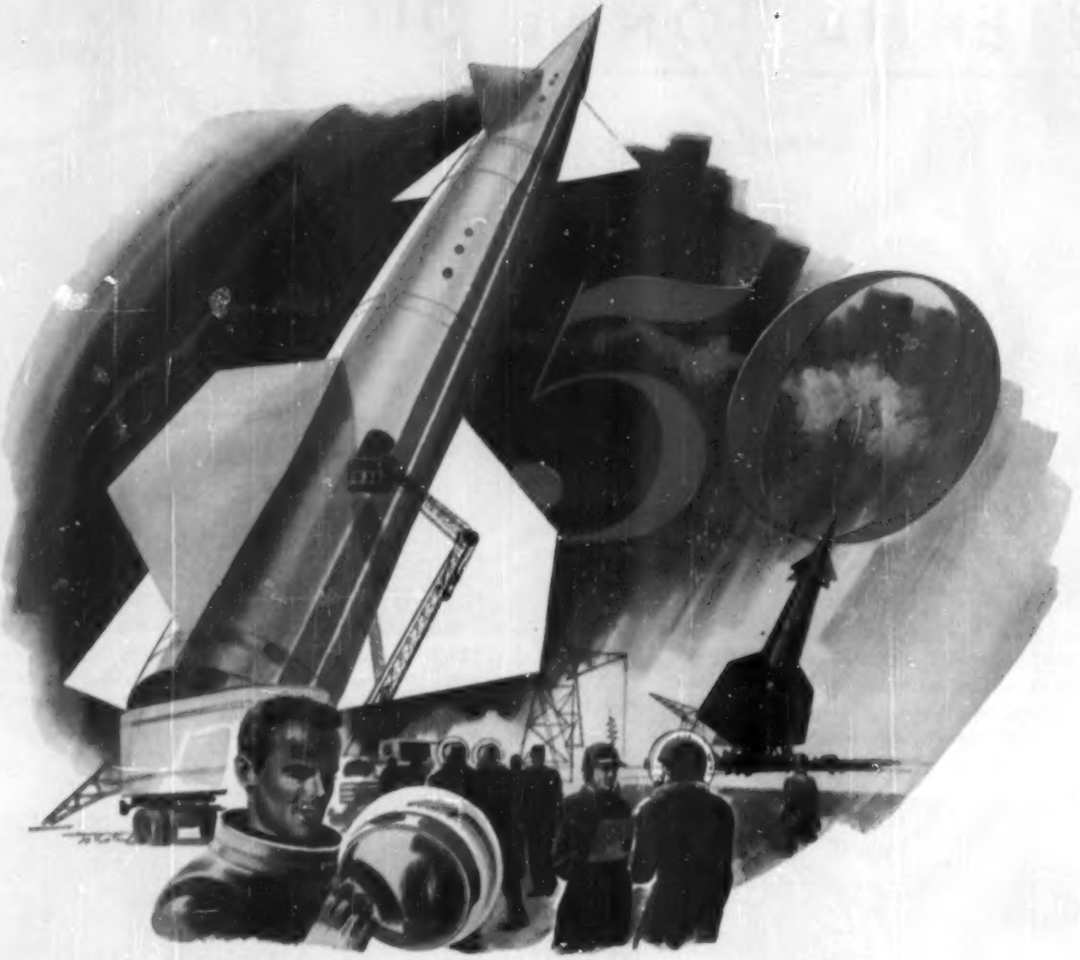
WHERE ADVERTISING PAYS . .

When measuring a publication's advertising effectiveness, there is no yardstick more positive and accurate than the amount of space placed in its pages by America's leading companies and their advertising agencies. Again in 1955, as in each of the past 18 years, these companies are placing more pages of business and industrial advertising in Business Week than in any other general, general-business or news magazine. In Business Week's five October issues, advertisers placed a record 627 pages—establishing a new high in monthly advertising page volume.

A McGRAW-HILL PUBLICATION

BUSINESS WEEK

330 WEST 42nd STREET, NEW YORK 36, N. Y.



New Worlds Ahead...with 50 years behind us!

1956 marks our fiftieth year of service to the metals industry. We approach it at a time when the need for finer, more versatile materials poses an exciting challenge to all of us.

Fifty years ago, we ventured into the challenge for the first time. Together with America's metal makers, we made important contributions to the needs of a growing nation.

For it was through the ferro alloys, metals and chemicals, which VCA helped pioneer and produce, that many modern day wonders came into existence: . . . automobiles and airplanes . . . streamliners and skyscrapers . . . sanitary dairy and hospital equipment . . . synthetic fibers, to name but a few.

Now in 1956 — another new world of ideas awaits fulfillment: atomic power . . . push-button factories . . . and space travel. In each of these, and countless others, designers and engineers need new and more versatile materials to reach goals undreamed of fifty years ago.

To help achieve all this, Vanadium Corporation of America has taken many active measures designed to serve the Metals Industry better than we have ever served it before. We have built new plants — and plans are underway for additional facilities. VCA's new Research Center is hard at work. Our mining and milling operations have been modernized and expanded.

This—as a beginning, for the next fifty years of service.

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INTERNATIONAL OUTLOOK

A BUSINESS WEEK SERVICE

Britain's Conservative government is in trouble. That's why Prime Minister Anthony Eden reshuffled his cabinet this week.

Since he led the Conservatives to an election victory last spring, developments at home and abroad have shaken the average Briton's confidence in the Eden team.

• His government is under a cloud because "Tory prosperity"—the slogan that won the election—is now described officially as an unhealthy boom.

• Eden personally has lost some of the popularity he gained in 1954. Then he was scoring successes on the world diplomatic stage as Churchill's Foreign Secretary. This year British diplomacy has met with a series of reverses, especially in the Eastern Mediterranean. On top of that, there is the disillusionment over Geneva.

• Neither Eden nor Chancellor of the Exchequer R. A. Butler has been in robust health.

The reshuffle affects the three top posts in Eden's cabinet—and the three men who probably are the chief contenders for Eden's succession.

Chancellor Butler leaves the Treasury to become Deputy Prime Minister and party leader in the House of Commons. Butler insists that he is dropping out as Britain's economic boss because of insomnia—not inflation. But the public has the impression that he didn't manage the British economy too well.

Harold Macmillan leaves the Foreign Office to take the Exchequer. Macmillan has had his eye on this post for some time.

Selwyn Lloyd, a real comer in British politics, takes on foreign affairs after a year as Defense Minister.

By any interpretation of the shuffle, Butler still has far the best chance to succeed Eden—if he recovers his former vigor.

—•—

Now that 16 new members have been admitted, the United Nations has become virtually the universal organization the U. S. originally wanted it to be. Only states left out are: in Europe, divided Germany and (by its own choice) Switzerland; in Asia, divided Korea and Indo-China plus Japan, whose admission was vetoed by Moscow.

With today's world conditions, universality is far from an unmixed blessing for the U. S.

For 10 years now the U. S. has been able to count on a sure majority in the Assembly whenever we opposed the Soviet camp on decisive questions. The votes of the British Commonwealth, Latin America, and Western Europe gave us that. It was a little like the situation in the British Parliament when one of the two parties has a solid majority.

From now on the picture will be different. Of the new members, eight belong to the Arab-Asian bloc. When the bloc swings to the Communist side, as it often does, the U. S. won't be able to count on a majority. **In 1957 the U. N. Assembly may look a lot more like the French Assembly than the British Parliament.** And that means the U. S. will find it extremely tough to keep Red China from gaining admission to the U. N. next year.

—•—

Moscow isn't making any noise these days about the expansion of trade

with the West. All the emphasis seems to be on (1) more trade within the Communist bloc; and (2) developing trade with the Middle East and South Asia.

The Communist bloc countries have just concluded a series of long-term trade agreements with each other. These trade pacts are part of a program to integrate the upcoming five-year plans of the satellites with that of Russia. As for trade with the Middle East and South Asia, Moscow is counting on Czechoslovakia and East Germany to carry the ball. In pushing East Germany into this business, Moscow has a second purpose: **It hopes to get diplomatic recognition for its Germans this way.**

Chancellor Konrad Adenauer is doing his best to prevent Moscow from achieving this. He has threatened to break diplomatic relations with any country that recognizes East Germany—something that would seriously disrupt trade relations.

At the same time, **Adenauer is holding out the prospect of economic aid and technical assistance** for countries that refuse to play Moscow's game. In fact, his foreign minister, Heinrich von Brentano, is unofficially advocating that the West European members of NATO should consider an integrated aid program for Asia and Africa. Brentano would like to see this tied into what the British are doing in South Asia through the Colombo Plan and into the U. S. foreign aid program (page 23).

—•—

A bitter struggle is raging in the Indonesian government—largely over what role the Communists will play in Indonesia when its first elected parliament meets early next year.

Last week Communist-line elements in the country's air force used submachine guns to prevent Premier Harrahap, who heads the caretaker government, from swearing in a new deputy chief-of-staff for air.

Pres. Soekarno is backing these dissident elements against Harrahap and anti-Communist Vice-Pres. Hatta. Apparently Soekarno wants a Nationalist-led cabinet of his own choosing. Indonesia would then have a neutralist government, dependent on Communist support.

Outcome of the struggle depends largely on where the nationalistic Moslem Teachers' party decides to throw its weight. This party came in a strong third in the recent elections, now holds the balance of power.

—•—

Argentina is in an economic quagmire. The mass of Argentines are impatient. They are critical because three months hasn't restored the solvency Peron spent 12 years wrecking.

Provisional Pres. Aramburu and economic adviser Raul Prebisch find that freeing the economy is easier said than done. Inflation continues, wages are lagging—which brings public howls and labor unrest. Businessmen are gloomy. Many have been hurt by new economic regulations.

Devaluation, and new trade rules, have amounted to retroactive confiscation in many cases. Scores of companies, and individuals, have been trapped.

For example, the cement industry planned to expand with imported machinery, ordered pre-devaluation at 7½ pesos per dollar. Now it must come up with a retroactive surcharge—equal to $6-million—on the basis of 18 pesos per dollar. A car-buyer must pay $8,000 into the treasury on a U. S. car costing $2,000.

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How to sell "nothing" and make a profit

This man is buying a vacuum bottle. The success of vacuum bottle sales depends on the fact that there is no better insulation than a vacuum, which is—*nothing*. But as a vacuum is very elusive, holding it is somewhat of a problem.

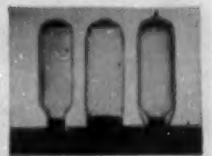
Glass does this job very nicely. Glass double-walled liners hold the vacuum and are easily silvered to reflect heat. In addition, they impart no taste to food or liquids.

We make parts for these liners for Aladdin Industries and Landers, Frary & Clark—to exact specifications—meeting customer-demand schedules and at prices that help keep sales going at a merry pace.

Glass in this application is an *out-of-sight* servant. But in other forms its almost-mysterious crystal allure attracts the eyeing and buying of thousands of discerning customers.

Many firms have been helped to rising sales curves by a Corning Glass blend of beauty and usefulness. In both products and premiums, glass is often the bridge from idea to profits. We'd welcome a chance to tell you more—perhaps suggest ways for glass to add to your sales.

FREE ILLUSTRATED BOOKLET tells more: *Our best customers are drawing on our technical experience, research background, and ability to produce and deliver glass in the forms they want, in the quantities they need, at the right prices. "Glass and You," describes some of the Whats, Whys and Wherefores of this relationship and of glass as a design and engineering material. The coupon will bring you a copy with our compliments.*



Three steps in vacuum bottle inner liner assembly: l. to r.—inner blank, outer blank, first assembly.

Corning means research in Glass

CORNING GLASS WORKS,
20-12 Crystal Street, Corning, New York

Please send me a copy of your illustrated booklet "Glass and You."

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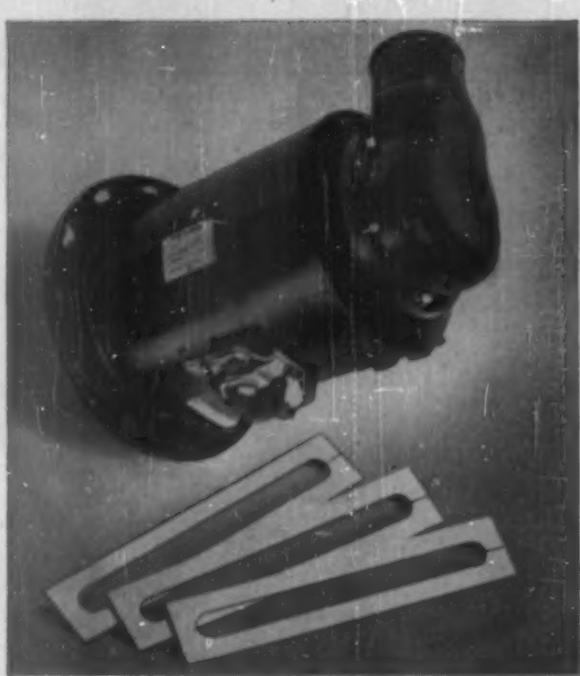
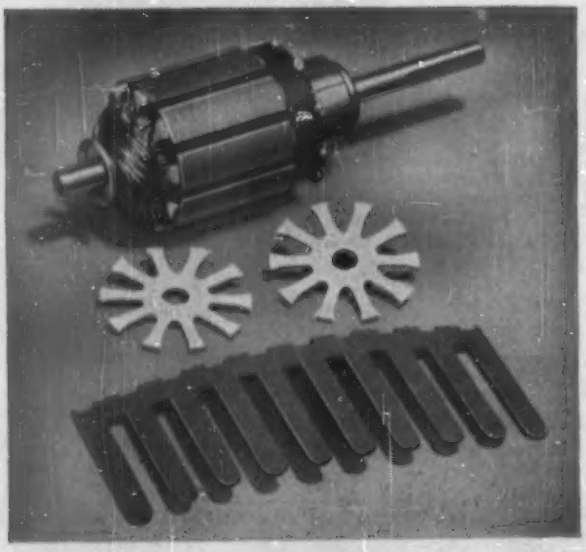


Temperatures run high in this airblast-cooled DC generator for aircraft use. For rotor winding insulation, Jack & Heintz designers picked Taylor GSC silicone laminate . . . excellent for extreme heat. For similar high-performance motors, this company also uses Taylor G-5 melamine laminate for top-sticks.

Power for precision. This servo motor, used in Honeywell electronic process control instruments, uses a stator case insulator punched from Taylor Grade XP phenol laminate . . . a quality grade with good fabricating properties.

Here's how Electric Motor

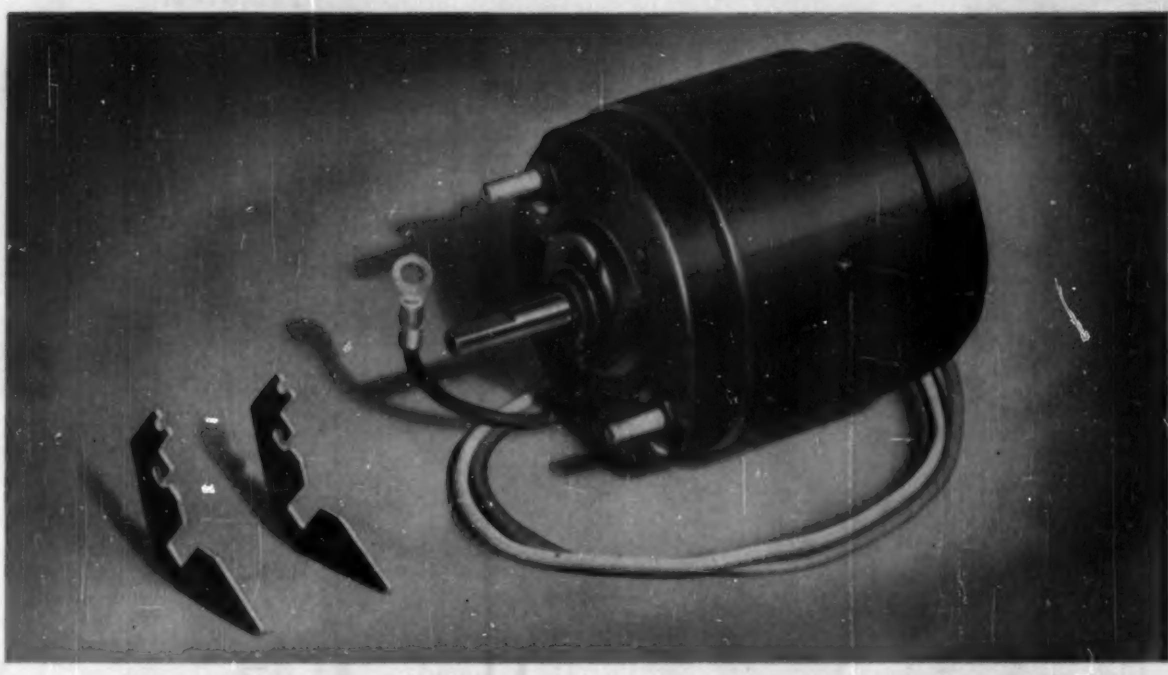


Toughness and flexibility are required for insulation for motor armature windings. Redmond uses Taylor Insulation and Commercial Grade Vulcanized Fibre for slot wedges, top-sticks and end laminae . . . and paper base phenol tube for the thrust bushing.

For the Products You Make

Investigate these Taylor Materials

Vulcanized Fibre — Melamine Laminates
Phenol Laminates — Epoxy Laminates
Silicone Laminates — Combination Laminates
Polyester Glass Rod



Comfort as you drive. Motors for automobile heaters, defrosters, window lifts and seat adjusters use brush holder insulation punched from strong, easily-fabricated Taylor paper base phenol laminates. General Industries Company utilizes the specific qualities of this material to meet the operating requirements of the motor. The part is produced to extremely close tolerances in Taylor's Fabricating Division.

Manufacturers use

TAYLOR FIBRE AND LAMINATES

From the standpoint of both performance and economy, insulating materials are a highly important part of electric motors. In the midst of heat, vibration and mechanical stress, these materials must stand up with complete dependability.

When they think of insulation, designers of electric motors think of Taylor materials. The applications pictured here illustrate a few of the many special assignments filled by Taylor vulcanized fibre and laminated plastics. Common to all fractional h.p. motors is the use of paper base phenol laminate for terminal plates, vulcanized fibre for terminal box lines, and combinations of laminate and rubber for capacitor parts.

Want a tough, pliable insulator? Taylor vulcanized fibre does the trick . . . is readily bent to fit motor armature slots. Want a material that withstands higher temperatures? Look to Taylor laminates—phenol, epoxy, melamine, silicone—depending upon temperature requirements. Want good mechanical strength? Choose Taylor linen base phenol laminate. For dozens of parts in your motors, you can select from Taylor materials designed to match your insulating requirements.

You can depend on the quality and uniformity of Taylor materials because all operations . . . resin compounding, paper-making, impregnating and laminating . . . are performed in Taylor's own plant, under a single responsibility. A broad range of forms, and maximum sheet sizes, give you top economy in your own fabricating work. Or for convenience, economy, and simplification of your purchasing and scheduling, have Taylor's Fabricating Division furnish completed parts to your specifications.

Ask a Taylor sales engineer to consult on your insulating materials selection problem . . . whether you're concerned with motors, appliances, electronics, or any of the scores of other fields which Taylor serves.

TAYLOR FIBRE CO. Plants in Norristown, Pa. and La Verne, California

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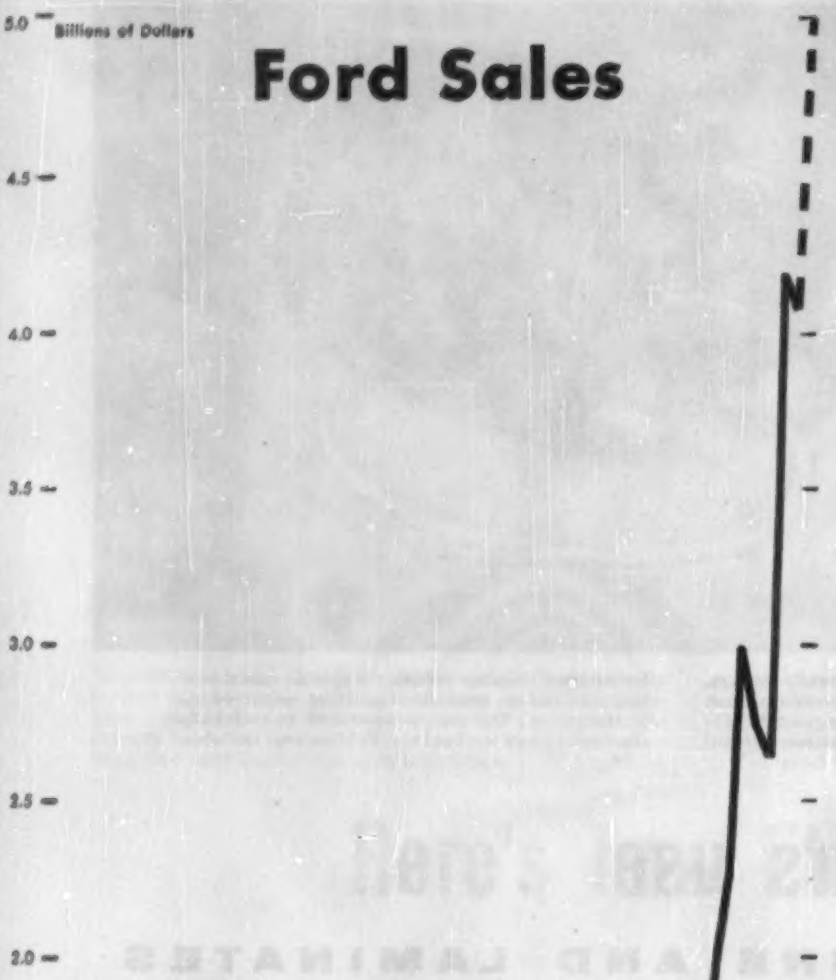
Atlanta	Detroit*	Philadelphia	Grand Prairie, Texas
Boston*	Indianapolis	Rochester*	Houston
Chicago*	Los Angeles	San Francisco*	Miami
Cleveland*	Milwaukee*	St. Louis	Toronto
Dayton*	New York*	Rockville, Conn.	

*Teletypewriter service at both plants and these branches.

TAYLOR
Laminated Plastics
Vulcanized Fibre



N. B. prior to 1919 fiscal periods are not strictly comparable due to varying length

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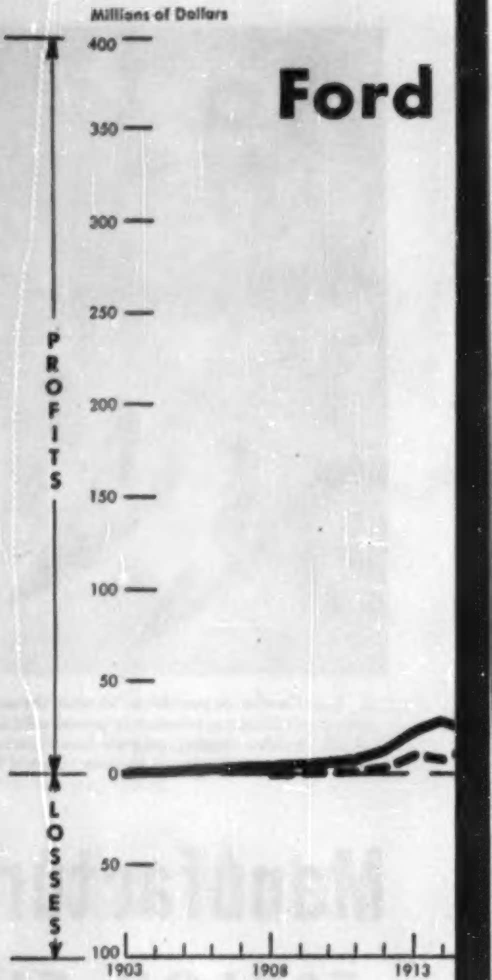


N. B. prior to 1919 fiscal periods are not strictly comparable

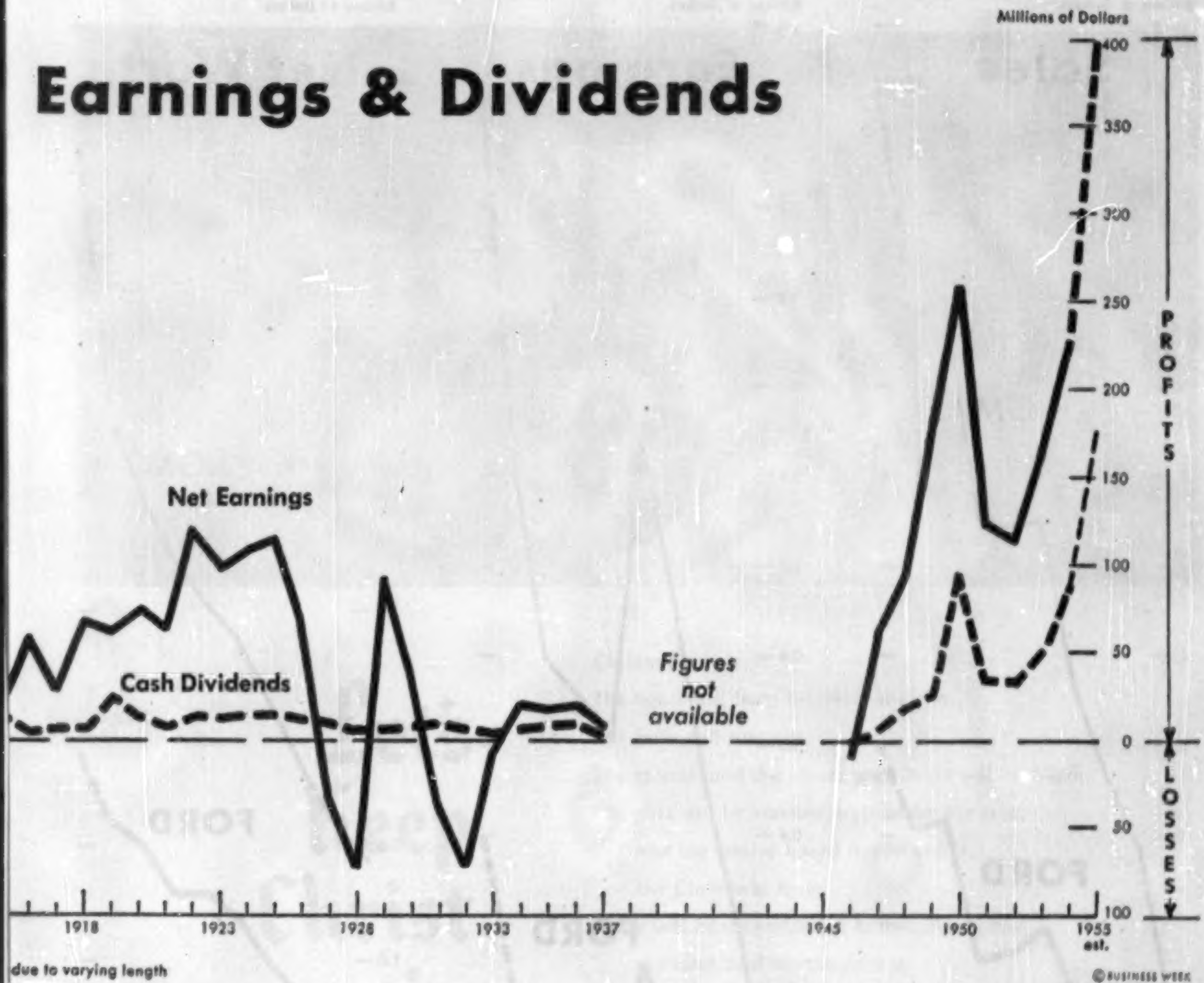
At Last—

At around 10:05 a.m. on Dec. 21, the most eagerly awaited financial document of our time was filed with the Securities & Exchange Commission and became public property. Thus, the Ford Motor Co. bared its fiscal soul to the searching eyes of at least 50,000 public shareholders-to-be, and a much vaster number of very interested bystanders.

There will probably be many more than 50,000 shareholders. The underwriting syndicate has orders, when the stock can be offered, first to fill all orders for Ford shares up to 100 shares. With what is left, all orders of up to 200 shares per customer are to be filled. No orders of over 200 shares per customer will be taken.

• **More Shares to Sell**—Along with the prospectus came the announcement

Earnings & Dividends



Ford Motor Co. Opens Its Books

that the Ford Foundation, biggest single holder of Ford stock and the sole seller in the upcoming offering, will offer 10.2-million shares of common stock to the public instead of the 6.9-million originally planned. The reason given for this change was the heavy preliminary interest. Possibly the Foundation's $500-million grant to colleges and hospitals (BW–Dec.17'55,p116) had some influence on the decision.

• **What Price?**—Actually, the long-secret sales and earnings figures of the company were not the immediate focus of attention. The question firing the imagination of press and public is: What will the stock cost?

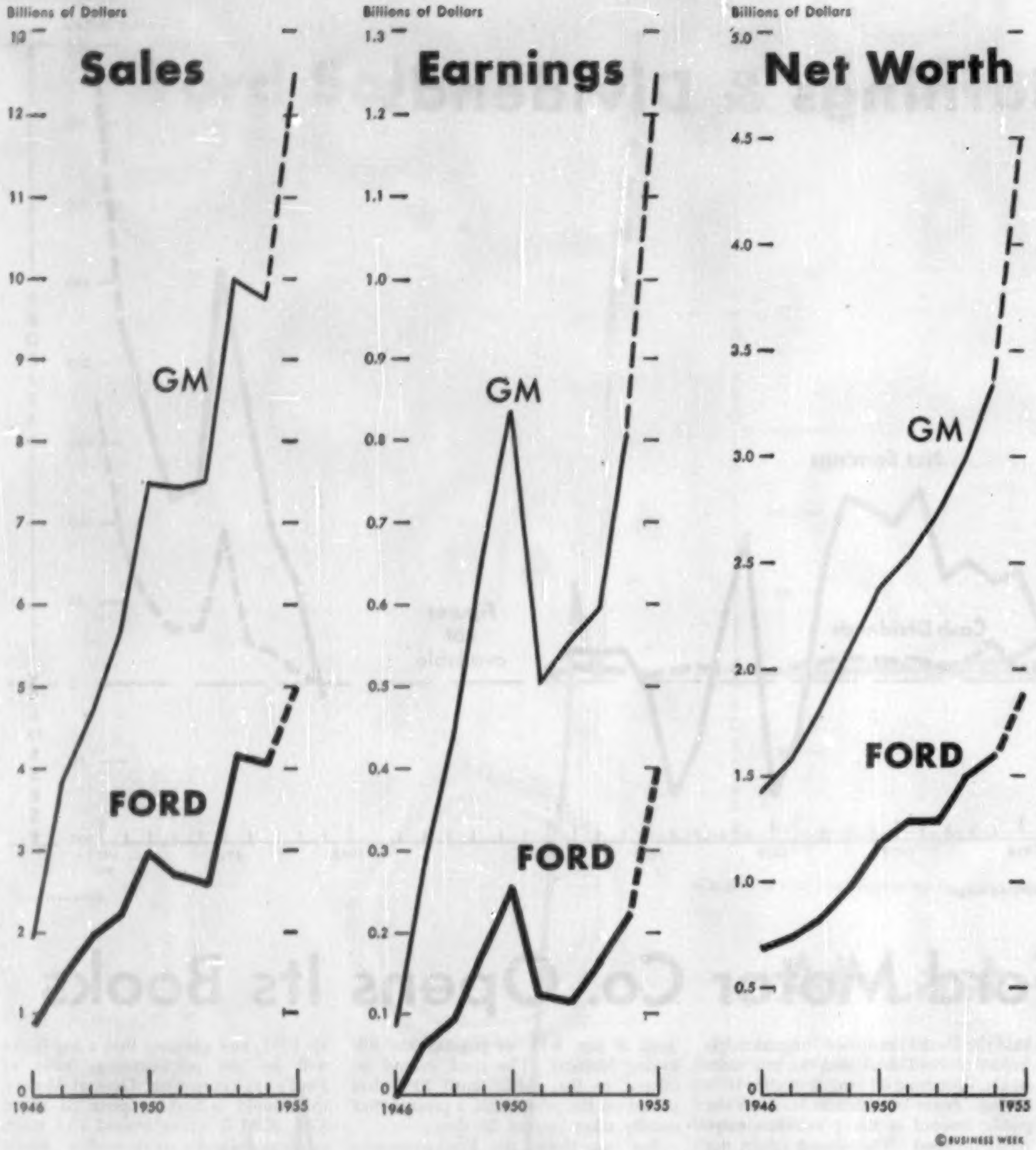
In the prospectus, observers caught plenty of hints as to possible price. (The actual price probably will not be announced until the latter part of the week of Jan. 8-14, or possibly the following Monday. The stock cannot be offered to the public until SEC has passed on the prospectus, a process that usually takes around 20 days.)

For one thing, the Ford company said that "it is believed the offering will be the largest corporate offering in history." Assuming that Ford is aware of last summer's offering of $637-million worth of American Telephone & Telegraph convertible debentures, this would indicate a price of more than $64 per share, which is what would be needed to outdistance the dollar amount of the AT&T offering.

• **Earnings Ratio**—Another indicator is Ford's earnings per share for the first nine months of this year. In that time, per share earnings totaled $5.85. At a rough estimate of $7 per share for all 1955, and guessing that a big factor will be the price-earnings ratio of Ford's top competitor, General Motors, this would indicate a price of about $70. (GM is selling around 10.5 times earnings. Ford's underwriters would probably like to see a ratio for Ford of 10 times or maybe a little less.)

Another possible indicator is buried in a footnote to a table midway through the 40-page prospectus. On Aug. 31 of this year, Theodore O. Yntema, vice-president in charge of finance and a director, sold 1,000 shares of old Class A common for $902,500. This would be the equivalent of a price of $60.16 on the common stock soon to be offered to the public.

The weight of evidence strongly favors a price in the $60-$70 per share range. Indications from the prospectus



How Ford Stacks Up Against GM

seem to narrow that further to the $65-$70 range. Of course, the condition of the stock market itself at the time of the offering will be a determining factor, too.

I. A Running Start

Although the Ford Motor Co. had plenty of anxious moments in its infancy—in its first three months of corporate existence, it had only $223.65 in the bank at one point when it had yet to sell a car—it defies the old adage that the first 10 years are the toughest.

In the first 15 months to Sept. 30, 1904, Ford had sales of $1,162,816, net earnings of $246,080, and paid cash dividends of $100,000 to its dozen stockholders. (Right from the beginning, the company's by-laws had the vital provision that no stock could be sold to a non-stockholder without the consent of the other stockholders.)

In 1913, a decade after its birth, Ford sold $89.1-million worth of cars and earned $25-million. In that year, dividends totaled $11.2-million.

The second 10 years were even better than the first. By 1923 sales had climbed to $929-million, and earnings were $100-million (in 1922 they were $120.2-million). However, dividends,

Let's Keep Christ in Christmas

Christmas . . . and

The lights will burn brightly, and the
bells will ring out;

The streets, and the stores and shops will be filled;

The gifts will be stacked high under the tree,
and the festive board heavy under
the Christmas feast;

There will be merriment in homes throughout
the land, and the laughter of
children to infect us all;

The doors of our homes will be open, and friends will
visit and clasp hands.

But more than any of these,

Let each heart become a chapel,

Remembering that on this Day one thousand, nine
hundred and fifty-five years ago,

God gave to the world the greatest Gift of all,

His only begotten Son,

Our Lord and Saviour Jesus Christ.

Yes, more than anything else,

Let us remember this, and keep Christ in Christmas.

Norfolk and Western Railway

once between 40% and 50% of earnings, slipped to 13% in 1923, when control of the company was firmly in Henry Ford's grasp. The company's accumulated surplus had grown by this time to $433.7-million.

• **Enter Model A**—In 1927, the company made a model change that was to have momentous repercussions. The highly popular Model T had to be retired in favor of a new Model A. Sales dropped from $811.5-million to $356-million, and the company ran its first net deficit: $30.4-million. The following year was even worse, in terms of net, with a deficit of $70.6-million despite sales that moved up to $551.7-million.

In 1929, Henry Ford's faith in the Model A seemed vindicated. Sales topped $1-billion for the first time, and earnings were a handsome—though not a record—$91.5-million. Dividend payments in 1928—$6,042,575, or about 9.7% of earnings—were leaner than any year since 1916. And in 1929, despite a fine sales showing, Ford paid the same modest amount.

• **Tough Years**—With the 1930s, all rosy pictures faded, especially Ford's. From 1931 to 1941, the company showed a cumulative, 10-year net loss, with losses of $37.2-million and $70.8-million showing up in 1931 and 1932, respectively. No cash dividends were paid in 1932, and the $717-million of accumulated surplus built up by 1930 had shrunk to $592-million three years later.

Ford has never issued figures on the stretch from 1937 to 1946, including the war years. In 1946, the first year of postwar auto sales, however, the company showed a net deficit of $8.1-million on sales of only $894.5-million. At this point, earned surplus was $697-million.

Ford's management was shaken up in 1946, when Ernest R. Breech, now board chairman, came in as executive vice-president under Henry Ford II. After many years of one-man rule, the Ford management was considerably decentralized.

In sales, Ford's top postwar year prior to 1955 was 1953, when sales were $4.2-billion. But net earnings were best in 1950, at $260.3-million. It was in this year that Ford, which had long since lost its earlier trade leadership, passed Chrysler in unit sales for the first time since the late 1920s. Ford slipped back in 1951, but in 1952 it again clinched the second spot, which it has held ever since.

II. Vis-a-Vis GM

Although Ford looks gigantic in the figures laid out in the prospectus, it is dwarfed by General Motors Corp. When Ford was selling $4.2-billion worth of cars in 1953, GM's sales totaled $10-billion. GM's 1950 earnings were $834-million.

This year, the same gap exists between the two. Ford sales will probably run around $5-billion, against GM's estimated gross of $12.5-billion. Ford after-tax profits of around $400-million will be only one-third of its rival's.

• **Still Handsome**—Of course, comparing the two—as everyone will—isn't quite fair, as GM has become so much more than strictly an auto maker, while Ford has stuck pretty much to autos, trucks, and tractors.

Just because it hasn't, the stature of GM doesn't mean that Ford's fiscal showing isn't a handsome one. At the close of September, for instance, its working capital totaled $636-million, and cash and government holdings alone outweighed all current liabilities.

Henry I's pattern of plowing back hefty amounts into plant has been refined to a science by the current Ford managers, and a total of $1.3-billion in capital spending since 1946—some $800-million more than depreciation charges—has been financed strictly from earnings. Thus, Ford has no funded or bank debt outstanding. Further expansion totaling $960-million has already been authorized, the Ford prospectus states.

Like everyone else, Ford has to sweat to control costs. The wage bill has tripled in the 1946-1954 period, although the number of employees is up only 71%. In spite of this, Ford's heavy modernization program has pulled its pre-tax profit margins from about 12% of sales in 1953 to 17% for the first nine months of 1955.

• **New Setup**—When the first public offering of Ford stock is made, the company's capitalization will consist of the 10,832,100 shares of $5-par common being sold, plus the other 36,148,620 shares of $5-par Class A stock being retained by the Ford Foundation and 6,480,750 shares of $5-par Class B stock owned by Ford family interests.

Under the new setup, the Foundation, despite its still large holdings, remains a nonvoting stockholder, since its A shares have no voting power whatever. True, they can be exchanged share-for-share at any time. But even that won't help. Such an exchange is permissible only to widen the distribution of the voting common via a public offering, or as a gift (under various limitations) to certain tax-exempt organizations.

Most importantly, the voting arrangements for the B stock are such that, no matter how much common is publicly outstanding, the Ford family is assured of 40% of total voting power as long as its B holdings don't fall below 2.7-million shares (about 42% of the amount it now holds). END

clues

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FINANCE BRIEFS

GM has 540,947 stockholders, the most ever, says Pres. Harlow H. Curtice. That's 31,000 more shareholders since last May, for a total gain of 174,000 since prewar days. GM common shares, split 3-for-1 last September, accounted for the over-all gain. There are 513,055 holders of common now, compared with 482,124 in May and 487,874 a year ago.

•

B&O got a windfall last week when the Western Maryland Ry. decided to pay off the $108.50 per share dividend arrears on its $7 first preferred stock. The Baltimore & Ohio owns 94.2% of this stock, and will rake in $18.1-million of the $19.3-million payment.

•

Consumer credit levels worry some people, but not Ralph J. Cordiner, president of General Electric Co. Says Cordiner: "In our case (GE Credit Corp.) there are fewer delinquencies and accounts are far more current than they were a year or two years ago."

•

Clinton Foods, Inc., has reached a deal with Standard Brands, Inc., as had been rumored (BW—Dec.10'55, p178). Standard will pay $58-million cash for Clinton's corn products and package partition divisions (including their $8-million working capital) and for the $11.3-million of 4% debentures of Minute Maid Corp. that were handed to Clinton in 1954 when it sold its Snow Crop Div. If stockholders agree, Clinton plans to liquidate completely, paying off about $47 per share.

•

Chemical Corn Exchange Bank of New York will soon offer 590,425 new shares to stockholders, if the holders and the state banking authorities approve. At current market prices, the sale should boost the bank's capital funds by some $28-million; recently, capital was $47.2-million, surplus $127.8-million.

•

Recent private placements: A $65-million loan by Pabco Products, Inc.; $15-million in 3-to-15-year 3¾% serial notes by Associated Dry Goods Corp.; $5-million in 21-year 4¼% notes by National Casket Co.; $5-million in 25-year 3¾% first mortgage bonds by Minneapolis Gas. Co.

•

1955 earnings of Atlantic Refining Co. will be some 8% behind last year, says Pres. Henderson Supplee, Jr. Higher cost of exploration and labor, lower gasoline prices on the East Coast are blamed for the drop.

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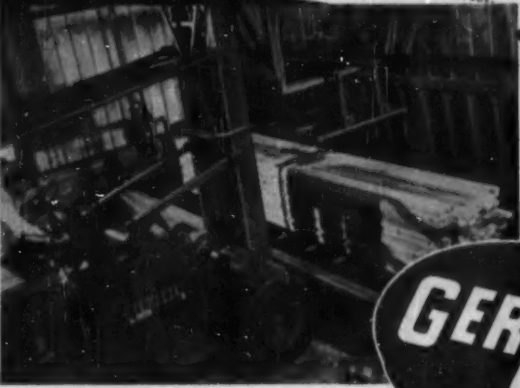

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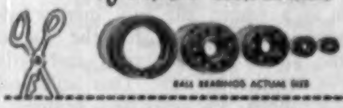

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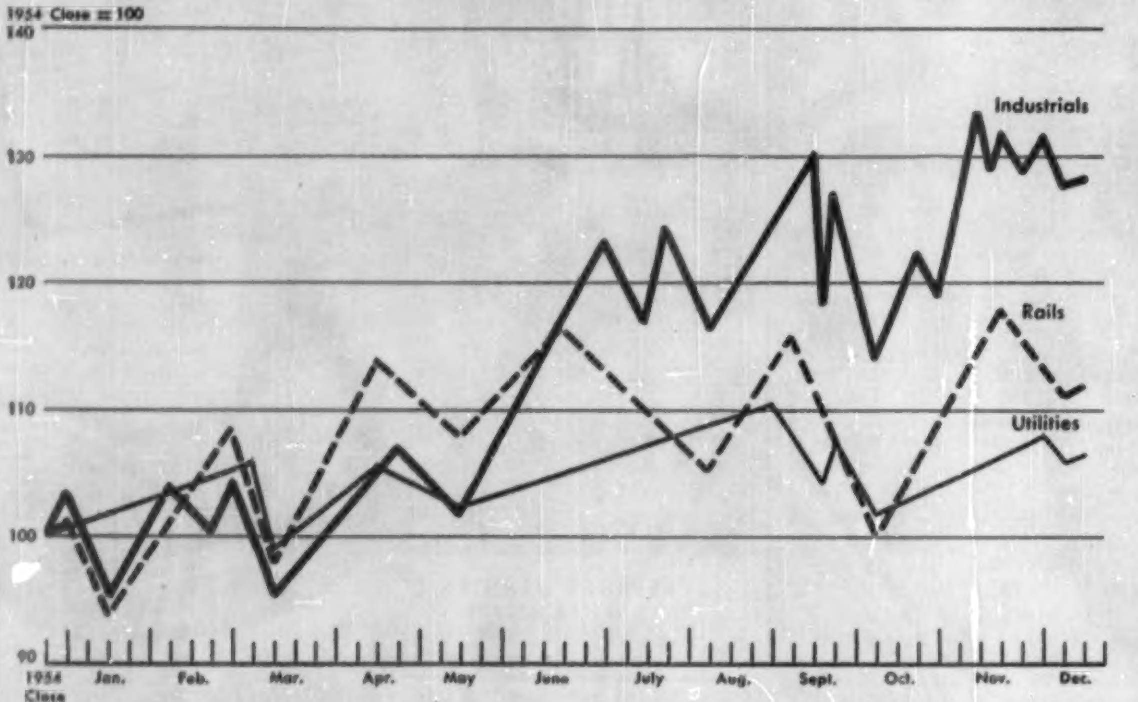
The 1955 Stock Market



Data: Standard & Poor's Corp. Daily Stock Price Indexes (Daily Highs and Lows).

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Still Bullish, But Slowing Down

As 1955 draws to a close, Wall Streeters are re-examining some of the ground covered in the past 12 months and wondering if the best days of the 1949-1955 bull market aren't in the dim past.

This week, as heavy tax selling keeps the averages from moving above the mid-November highs, market analysts face a cold fact: The bull market slowed down measurably in 1955, even though it's currently resting only about 1% below the Sept. 23 high for Standard & Poor's 50 industrials. For the year as a whole, the bull market advanced about 28.5% for the industrials, 11.9% for the rails, and only 6.5% for the utilities. This isn't bad at all; indeed, few years were better.

But for comparison's sake, you almost have to turn to 1954. Last year, the industrial index boomed up 49.6%, and the rails moved up just as much. Even the utilities, normally turgid in a fast-rising market, gained 18.8% last year, nearly three times the percentage gain in 1955.

• **Selectivity**—Not only has the bull market gained little more than half as much, percentagewise, in 1955 as in 1954, but the trend toward selectivity has continued; a mere handful of blue chips are supporting the average. In November, when the new high was hit momentarily, only 22% of all common issues on the Big Board gained more than one point.

Of course, it's easy to say that the higher you get, the tougher it is to rack up big percentage gains. In fact if the market had soared another 50% this year, analysts, economists, and politicians would really be worried. But when the signs of a slow-down in a bull market are as emphatic as they have been lately, especially in the face of an all-time high in business activity, it's reasonable to speculate on the possibility that the highs have been hit for a while at least—and to wonder where the market lost its steam.

• **Heart Attack**—Pres. Eisenhower's heart attack was easily the top news story of the year. Nobody in Wall Street argues about that. Up to Sept. 26, the bull market had steamed along fairly handsomely, with only two real tumbles and a two-and-a-half-week slide in midsummer to mar its course. But after the heart attack, it dropped sickeningly, eventually losing 10% of its gains before a real recovery got under way.

Actually the market has not made a decisive new high since that September point. In mid-November, slightly higher ground was reached temporarily, but the industrial average has since fallen below that. Now, on thin markets characterized by portfolio switching and tax adjusting, the average has stood still for nearly five weeks. Thus, if a bogey must be singled out, it would be that Sept. 26 day, when stock prices experienced the worst break since Oct. 28, 1929.

• **Fast Start**—There have been other memorable days this year, though. You can start right at the beginning of the year to get a headliner. The first trading session saw the 50 industrials zoom

nearly 10 points on 4.5 million shares as the rumor mill ground out talk of a stock split in General Motors common. But that day had a sad aftermath. Federal Reserve authorities, prodded by the gyrations in the stock market, upped margin requirements to 60% the next day, Sen. J. William Fulbright (D-Ark.) announced a "friendly study" of the market—and GM didn't split after all, at least not then.

Following the disappointment over GM, and in the midst of preliminary broadsides from Congressional investigators, the market sold off on heavy volume—in the first three weeks of 1955 trading only one day saw less than 3-million shares traded on the Big Board.

As the year grew out of its infancy, the shakiness and sensitiveness of the market was becoming increasingly evident. The Formosa war scare boomed the "war issues," especially aircrafts, but when Fulbright questioned Wall Streeters about gyrations in General Dynamics and Douglas Aircraft, those issues sold off heavily. Rumors boomed individual issues, even during the Fulbright hearings. Warren Foundry & Pipe, Bath Iron Works, Hupp, and Peoria & Eastern Ry. all took roller coaster rides in the spring, and it wasn't long before the Fed had boosted margin requirements again, to 70%, in a move aimed at "curbing speculation."

• **The Fed**—Neither directly nor indirectly did the Fed have any effect on the market comparable to the wake left by Sen. Fulbright's hearing and Pres. Eisenhower's thrombosis. The market didn't recover from the "friendly" Fulbright study until the guaranteed annual wage issue was settled, and General Motors finally announced the long-awaited stock split in early summer.

Stock splits have been a byword of this sixth year of bull market, with some of the bluest chips—GM, Big Steel, Standard of Jersey, and Amerada Petroleum—joining a horde of lesser market lights in the urge to broaden distribution of company stock. Split rumors, especially about Bethlehem Steel and du Pont, have done as much to boom the averages as actual splits.

This will be remembered as the year the uranium stock boom died to a firecracker-like bang, and the Ford Motor Co. made public its closely guarded fiscal statement, preliminary to selling nearly 7-million shares of stock to the public (page 74).

• **Little Alarm**—Many Wall Streeters would be surprised if 1956 were as good as 1955, in terms of bull market rise. "The market has already gone too far, too fast," observes one analyst. But there are few signs of alarm as yet. Most Streeters look for a gradual settling down of prices, especially in the latter half of the year.

Wall St. Talks . . .

. . . about conflicting views . . . railroad buying up own stocks . . . corporates and municipals.

Market letter gleanings: We are near "the end of a reaction . . . not the beginning of a decline." (E. F. Hutton & Co.). . . . "Confidence has been ebbing since last July." This and "other factors" suggest using "strong spots in the market to build up and maintain cash reserves and buying power." (Arthur Wiesenberger & Co.). . . . "The market does not give the impression of serious unsettlement in prospect." (Laidlow & Co.). . . . "We . . . advise great caution for the stock market next year." (The Value Line Investment Survey.)

Minneapolis & St. Louis Ry. has been actively buying its own stock. The aim is to pick up shares for a contemplated executive stock-option plan, and to push up the price of the stock (its 1955 range: $28.75 to $20.37; its price now: around $22).

Spirits showed pre-Christmas gleams in new issues markets for corporates and municipals. Sales were stimulated by price cutting on "old items," more realistic pricing of new offerings, and the usual yearend slump in new financing. But there's little optimism for the longer term; both marts are expected back on the defensive when new financing regains its normal pace early in 1956.

"White sales" of heavy electrical equipment are about over, Streeters say, after causing trade troubles for a long time. Discounts averaging 15% are still reported on $1-million-or-over orders for transformers and turbines. But otherwise, price cutting seems to have ended.

Market miscellany: Chrysler's recent weakness (it's now 13% below its 1955 peak) springs largely from reports that it contemplates a big financing operation in early 1956. . . . Some foreign selling, mainly from Switzerland and particularly in oils, is reported. European worries over the Mid-East political situation are blamed. . . . Institutional interest in equities has declined sharply. . . . The general sluggishness of rails is blamed on wage and fringe benefit awards. Some Streeters figure the awards could clip some $300-million off 1956 earnings, even after taxes (1955 net should run a bit over $900-million).

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1955: Triumph, Merger—But . . .

● Looking at its 1955 balance sheet, labor finds that supplementary unemployment benefits plan fell short of original goal—but opened a whole new area to collective bargaining demands.

● While the year was "better than average" in terms of settlements without strikes, a few walkouts turned into bitter fights in which both sides held out stubbornly.

● AFL-CIO merger—the year's big news—may bring new drive to unionize white-collarites.

Labor leaders are notoriously extroverted, little given to inward searchings. The best—or most successful—of them are gaited to the next contract, the next strike, the next negotiation. They don't do much backward glancing. Right now their professional thinking is focused on future objectives: recruiting new members into the unions—especially white-collar workers; pushing supplementary unemployment benefits into something more closely resembling the guaranteed annual wage; selling the shorter work week as the answer to industrial automation.

But they can't altogether escape the stocktaking mood that is universally felt at the year's end. And in such a mood, 1955 offers them three large matters to ponder.

• **Triumph**—The attainment of SUB in the Ford contract with the auto workers union—a provision that became a standard for the industry and has now rippled out into other lines—would be accounted a major labor victory in any year. While far short of the rigid GAW that the unions sought, it must be measured against what prevailed before rather than against a propagandized demand. By such a standard, its importance lies both in its intrinsic terms and far beyond them. For it opens up a whole new area to collective bargaining.

The boundaries of collective bargaining are an important, though often unappreciated, measure of a union's strength.

The familiar tests of union strength and power are size and jurisdiction. A union with a million members and 95% of its industry under contract is indexed close to 100% on the accepted scale of union strength and power. But there is a third dimension not so often measured: What does it bargain for? If either its own lack of energy or employer determination has held its bargaining scope to wages, hours, and union security items, it is in a very vital sense a weaker union than one that makes its will felt on such matters as work rules, discipline, and supplementary pay.

Thus an extension of the area of bargaining, while it may add no new members or new contracts to the union's list, nevertheless gives it a new depth and dimension in which to exercise its strength.

• **Reminder**—The unsuccessful continuation of the strike at Kohler and union capitulation in the strike at Perfect Circle were sobering experiences for organized labor in 1955. They serve as forceful reminders of the fact that if an employer has the will to resist and is willing to pay the price, even the largest unions can be frustrated.

On the basis of the latest figures and best estimates, 1955 will end as an appreciably "better than average" year on the strike front. It will be the second lowest year since 1949 for work stoppages and show fewer man-days of strike idleness than all but two years since 1945. But in the big and important strikes, there is a discernible tendency toward longevity. In addition to Kohler and Perfect Circle, Westinghouse is an example of what might be thought of as a renewed stubbornness of strikes, a propensity to defy settlement.

• **Mixed Bag**—Most dramatic of all, the year brought the AFL and CIO merger. Most labor leaders feel that this represents a milestone passed, but there is some real disquiet over what's ahead. George Meany and the chiefs of the newly unified body are very conscious of that ingrained American trait, distrust for bigness. They are concerned to allay the public fear that giantism is per se against the public interest.

But there is a decided ambivalence here: On the one hand, a wish for restraint lest public anxiety produce restrictive legislation; on the other, an urge to put whatever new strength and status the merger has produced to practical trade union ends. It's a conflict that centers just now in the office of John W. Livingston, newly designated director of organizing activities for AFL-CIO.

The hipping and the hollering of a traditional organizing campaign, which claims the world as its goal and promises the moon as its reward, are just the kind of thing sure to stoke up public fears. There are some forces playing on Livingston, urging him to undertake just that kind of campaign in order to capitalize quickly on the merged movement's prestige. Opposed are voices of caution, telling him to go slow and take it easy.

Thus far, while focusing his attention on that virtually unorganized group of white-collar workers that census figures put at close to 15-million, Livingston is attached to the "go slow" theory. He may, indeed, be in the process of developing a new organizing technique.

The white-collar field has been a Siberia for union organizers. Their appeals have fallen on ears largely deaf to union blandishments. Before another serious approach, Livingston wants to know exactly why this is. Some of the smart and well-educated aides he'll have on his staff are already assigned to getting the answers. They are examining and applying, wherever possible, the methods of market research. Sampling, consumer preference testing, field interviewing, indexes of positive and negative demand, income and status projections—all are being tried as tools that may open insights into the white-collar syndrome, and thus suggest the key to a new and more fruitful organizing approach.

But both the "go slow" and "go fast" schools are agreed on one thing: Success is worth the price of risking adverse public reaction. Although no one has put it in quite such terms, there would be general agreement that intensive organizing that brought an increase of union membership by, say, 5-million, would be more than adequate compensation for 18 more states passing "right to work" laws and Taft-Hartley staying unamended. END

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Reservists Become an Issue

Unions are formulating contract clauses to protect employees against loss of benefits during time spent in compulsory military training.

You may be bargaining over job rights of military reservists in your next contract negotiations.

One of the last acts of the CIO Committee on Veterans' Affairs before it merged into the new AFL&CIO operation was to draw up model contract clauses designed to protect employees against loss of any benefit because of time off to participate in compulsory reserve training. James Gildea, the committee's staff director, says the collective bargaining approach is the "least desirable" of several lines of attack—but may be necessary. The merged federation now supports that view.

• **The List**—Here are the recommended clauses:

• National Guardsmen or reservists should be entitled to automatic leave to attend minimum required training sessions. This leave shouldn't count as time off in figuring eligibility for vacation pay or other contract benefits.

• Time spent in military reserve duty should be counted as time worked toward benefits based on seniority.

• National Guardsmen or reservists should be paid for training time up to two weeks a year. The pay should be the difference between the amount the employee receives for military training and the amount he would have earned on his regular job.

• **For Legislation**—Gildea believes that legislation to protect job rights of reservists would be more effective than bargaining. But he feels that the latter is more sure. However, while unions are seeking to include the suggested clauses in their contracts, the merged AFL&CIO will press for federal legislation to protect adequately the job rights of reservists. It would also like the Office of Defense Mobilization to call a conference of top government, industry, and union officials to try to work out a solution favorable to both employers and employees.

• **Policy Needed**—As an ever-increasing number of young men assume reserve obligations, more and more employers will be faced with policy questions on how to handle time off for military training. This will be so even though some employers may not have to face the issue in bargaining. A BUSINESS WEEK check of government and military sources got the following answers to questions of how employers and employees will be affected by the new law:

Will the new reserve law affect me and my employees?

Chances are it will, since one aim of the law is to build up the Ready Reserve—reserve units subject to call at all times. This means that more civilians will be part-time soldiers, putting in 48 nights of drill and about 17 days' training or a maximum of 30 consecutive days of active training every year.

Currently, 300,000 men are volunteering annually for active service, and at least another 120,000 are being drafted. The government says it will be up to two years—when most of these recruits complete their active duty—before reserve training requirements really begin to pinch employers. But the Pentagon is shooting for a 2.9-million Ready Reserve force by 1959. It's a good bet that some of your employees will help make up that total.

Which of my employees will the law most affect?

Those between 17 and 26. Enlistment for the 17-18½ age group is attractive to some because it enables them in six months to fulfill their active duty requirement; then they must spend seven-and-a-half years in the Ready Reserve. While response to this plan hasn't lived up to Defense Dept. expectations, the department believes the plan will work, and plans to push it harder.

Those in the 18½-26 age group can use any of at least six ways of serving their active duty requirements, all calling for service in the Ready Reserve; or they can wait to be drafted.

Under the law, what are my obligations to employees belonging to the reserve?

A reservist called back to active duty is entitled, on return, to full reemployment, fringe benefit rights, and protection against discharge except for just cause for six months after his return. He must report back to work within 90 days after his active duty ends.

A reservist who volunteers for the special six-month training period is entitled to similar reinstatement, except that he must report back to work within 60 days.

Employees drafted after Aug. 9, 1955, or volunteers under categories other than the six-month plan who must spend three or more years in the Ready Reserve are entitled only to leave of absence for training—from two weeks to 45 days each year, whichever is required—and full reinstatement. They must report back to work within 30 days.

Must I pay employees for time off spent in reserve training?

No, but you must provide leave of absence to meet minimum training requirements.

Will the new law increase problems over employees' military status?

It depends. For the first time in 10 years, the military manpower picture seems clear. You should be able to get a pretty fair idea of how your employees stand with the military. For example, you can learn which of them would be taken first in a national emergency. You also can try to have your key personnel assigned to the special standby reserve, from which they are less likely to be called to active duty. Then, too, you can figure for how long each employee is liable to military obligation. Only the status of employees who wait for the draft will remain clouded.

Suppose I can't possibly spare an employee for reserve sessions?

So far, the Defense Dept. has done nothing about such conflicts. It anticipates that it will be at least two years before this problem becomes acute. Meantime, it hopes employers will help employees meet their reserve schedules. If they can't, the way things stand now the reservist will have to make other arrangements such as military correspondence courses or a full month of active duty each summer, in lieu of weekly drills.

What is the recommended policy toward reservists?

Here's what the Defense Dept. suggests:

• Either full pay or the difference between regular and military pay for reserve training periods, with military leave granted for annual tours of duty in addition to regular vacations.

• No discrimination against reservists in personnel policy, hiring, promotion, upgrading.

• Assistance from the employer to enable reservists to meet training schedules.

• "A demonstrated interest in reserve activities."

You can win a pennant from the Pentagon if you adhere to these principles. But, at present, your only obligation is to give leave of absence.

Is any legislation in the works that will change my legal requirements?

Washington sources expect the Eisenhower Administration to seek an amendment to the law enforcing your obligation to re-employ reservists who leave for short training periods. This obligation is implied in the law now. But a U.S. District Court judge has refused to rule on a reservist's suit for reinstatement to a job he left for training duty. The judge said the law's language on this point is so fuzzy that federal jurisdiction is not clear. The Labor Dept. is appealing the decision. END

In Labor

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Passing Years Soften Labor's Hatred of T-H Act

There are signs that labor has modified its position against the Taft-Hartley Act. While the law still is opposed as a "vicious anti-labor" law, it is no longer the hot issue in union ranks that it was a few years ago.

You get that impression from two recent developments:

(1) An AFL-CIO convention resolution attacking the act was passed as routine without any discussion. Its introduction did not set off hours of denunciation from platform and floor, a common occurrence in the past.

Also, the resolution did not demand outright repeal of T-H (as in earlier years), but called for amendments to "rid [the law] of its anti-labor provisions."

Moreover, there was more criticism of recent interpretations of the law by the National Labor Relations Board than of the law itself. The resolution said that Republican-named "employer-oriented" board members had given "a new and almost always anti-labor meaning" to the Taft-Hartley law as adopted by Congress.

(2) AFL-CIO Pres. George Meany, speaking at a National Assn. of Manufacturers luncheon, told employers: **"I am going to concede that perhaps that Wagner Act went too far one way, just as I now think the Taft-Hartley Act goes too far the other way."** In the past, labor demanded a return to the Wagner Act as "a sound and fair national labor relations law."

It would be naive to believe that labor will give up its fight on T-H since the law has become a political symbol. But much of the opposition today appears synthetic. **As unions have learned more about living under T-H—and even using it to their advantage at times, —the law has become less of a real issue.**

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Rival Unions Bury Hatchet In Meat Handling Dispute

A jurisdictional agreement signed last week by the Amalgamated Meat Cutters and Retail Clerks (both formerly AFL) has ended a 50-year dispute over meat department employees in grocery stores.

By their charters, the Meat Cutters has jurisdiction over butchers, the Retail Clerks over other grocery employees. **But the early jurisdictional grants did not anticipate modern marketing techniques.**

Today, many stores do not have meat departments but do handle frozen meat pies and similar factory prepared and packaged grocery products. Both unions, in recent years, have claimed jurisdiction over employees handling these items, intensifying the long feud.

The two unions worked out a pact covering this situation several years ago, but neither lived up to it. This year the rivalry got hotter on the West Coast, from San Francisco down to Los Angeles and San Diego. It came to a head when two Retail Clerks organizers were beaten in a San Diego dispute; each union took full-page ads (cost: $1,351 each) to point an accusing finger at the other.

Heads of the international unions then agreed it was time to "do the sensible thing and agree upon a settlement." **They defined their jurisdictions more clearly, and agreed to refer all future disputes to AFL-CIO Pres. George Meany for binding arbitration.** Meanwhile, to avoid outbreaks such as the one in San Diego, they agreed that each union would drop claims to members signed by the other before Aug. 1, 1955.

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Flight Engineers End Strike With Job Rights Safeguarded

The Flight Engineers International Assn. ended a two-month strike against United Air Lines last weekend —assured that it would not lose job rights, and jurisdiction, to the stronger Air Line Pilots Assn.

Under the settlement terms, United retains the right to hire as flight engineers only men with pilots' rating and to set crew requirements for new aircraft. But it agreed to give present flight engineers pilot training or to allow them to keep present jobs without it if they prefer.

When 252 of 460 flight engineers struck, ALPA pilots qualified as flight engineers took over the engineers' jobs on many United flights. The action was bitterly assailed in labor circles, and ALPA was threatened with expulsion from AFL-CIO. It agreed last week that its members would withdraw from the struck navigator jobs.

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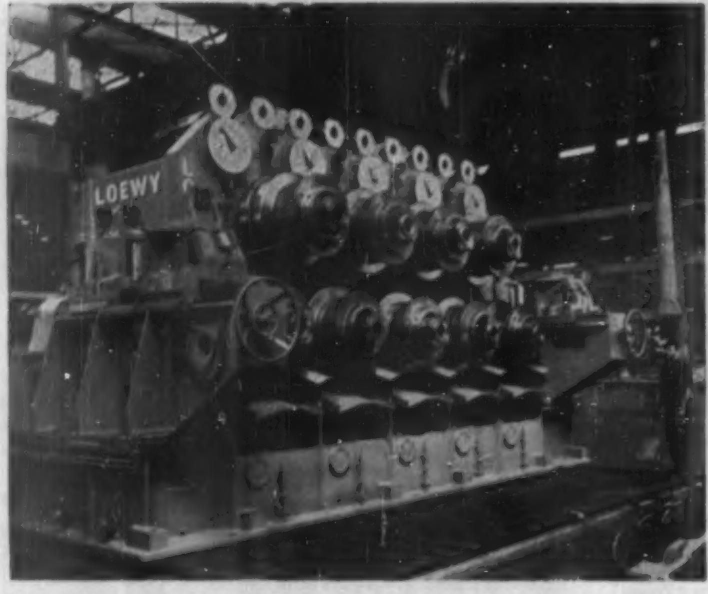
Labor Briefs

Pension benefits of $115 a month are provided for bakery drivers and salesmen in New York City and Newark, N. J., under a plan just announced by trustees of the pension fund. The workers, who belong to a Teamsters local, also are given an option on early retirement and are eligible for disability pensions. The liberal benefits of the plan have attracted attention of other Teamsters locals and may set a pattern for trucking contracts.

Self-insurance still looks good for the National Maritime Union Welfare Fund. Providing it's feasible, trustees of the fund voted last week to assume the risk of insuring the fund rather than going to an insurance company. Earlier, NMU trustees asked New York Insurance Supt. Leffert Holz if they could self-insure, but got no answer (BW—Oct.8'55,p129). A court ruling opened the way for self-insurance last week.

A guide to federal laws applying to building and construction workers on government contracts has been released. The Office of Solicitor, Dept. of Labor, says the handbook is available for public distribution. Many employers, faced with the problem of trying to explain complex federal laws to employees, should find the booklet handy in answering frequently asked questions.

What's new in MECHANIZATION?



415,000 pounds of precision are represented here in this structural-shape straightening machine, manufactured by Jeffrey for LOEWY-HYDROPRESS of New York. 70 tons had to be handled as a single unit! This ability to build BIG, with accuracy usually associated with small parts, is the reason why the engineering and manufacturing facilities of Jeffrey's Special Products Division are in such demand.

When the clerk in a supermarket nonchalantly twists off the tops of a bunch of carrots, he's creating a garbage disposal problem for the boss. Waste can pile up and mess up the service areas of that shining store at an alarming rate. Jeffrey created the Garbridder® to avoid that headache. Patterned after the Jeffrey waste grinder that's used in so many sewage plants, it disposes of the garbage into the sewer as fast as you can feed it.

A roller coaster has nothing on the way coal is taken for a 4½ mile ride on this "longest in the country" permanent conveyor. On it, Ohio Power Company moves up to a thousand tons of coal per hour from the cleaning plant at the mine to storage at their power generating station near Beverly, Ohio. Economic studies of the various possible methods of transporting coal led to selection of this Jeffrey-equipped belt conveyor.

Reclaiming valuable magnetite at this Jones & Laughlin coal preparation plant was stepped up five-fold, when the process was revamped to include Jeffrey magnetic separators. (Coal floats and slate sinks in water that is heavied up to 1.55 specific gravity by adding magnetite.) The previous loss of 2.2 pounds of magnetite per ton of mined material was reduced to less than a half pound—a sizable saving, since they're processing 2400 tons per hour. Magnetite is pulled out of the wash water by the Jeffrey magnetic separators, to be re-used.

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PERSONAL BUSINESS

A BUSINESS WEEK SERVICE

An influenza epidemic is due in the U. S. this winter or spring. If the scientists have figured right, it should be the biggest since 1947.

Influenza is caused chiefly by two viruses known as A and B. It moves in fairly definite cycles. Influenza A seems to occur every two or three years, influenza B every four or five. The last A epidemic was in early 1953 and the last big rampage of B in 1952.

So both should appear in epidemic form this year.

The last really serious pandemic (worldwide epidemic) of influenza struck in 1918-19. One of the greatest disease holocausts in human history, it rivaled the Great Plague—before it was done, it had taken 20-million lives, more than half a million in the U. S.

No new epidemic—or pandemic—is likely to reach anywhere near such disastrous proportions. One big reason is a recent vaccine that gives six to eight months' protection against the two major strains. (But note that it won't protect against every strain. You can still get influenza, but the vaccine does cut the chance of a severe dose.)

Equally important in keeping the serious effects to a minimum are the sulfa drugs and antibiotics. These have no effect on the influenza virus itself. But one of the insidious factors in flu is the complications that so often develop—particularly pneumonia. The "wonder" drugs effectively ward off or ease these side-effects.

Still, influenza is nothing to monkey with; anyone who gets it knows he is sick. It starts with fatigue, achiness, perhaps a chill. In a few hours, fever may rise to between 101 and 104 deg.

Unless there are complications, temperature drops in three or four days. Convalescence may seem to be fast at first—but victims feel weak and exhausted for a long time afterward. This is particularly true in older people.

In fact, influenza is most dangerous to both the aged and the very young. Influenza is seldom fatal normally, but it can kill an elderly person who is already frail. Some authorities urge annual shots of vaccine for old people as a life-saving measure.

Vaccination is now a simple matter. It requires only a single injection under the skin or into a muscle. If there is any reaction at all, it is mild and brief. It takes about a week after the shot to build up immunity.

If there's an outbreak in late spring, booster shots of the vaccine will provide enough protection to carry you through till early summer.

(**A word of warning:** The vaccine is derived from chick embryo material. So anyone allergic to eggs, chickens, or chicken feathers should not be vaccinated.)

Vaccination won't give you complete immunity, but it comes close. In World War II tests among thousands of soldiers, some 2.2% of those vaccinated against Type A virus still contracted it. But that is quite a drop from the 7.11% rate for soldiers who were not vaccinated.

The vaccine seems to be more effective against Type B. virus. In an

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
DEC. 24, 1955

epidemic of it in 1954, less than 1% of vaccinated service personnel were affected, while from 10% to 13% of the unvaccinated got influenza.

One of the most effective preventives against flu is common-sense living. Especially at this time of year, your living schedule is likely to be thrown out of kilter by parties and late nights.

Remember that the influenza viruses are around all the time. Their chances of catching up with you increase tremendously when your resistance is lowered. The best way to avoid that is to get plenty of sleep and keep your diet as normal as possible.

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Some quiet reading may help you get that rest during your post-holiday recovery. Here is a brief list of books, new and recent, worth picking up at your bookstore:

• Ten North Frederick, by John O'Hara (Random House; $3.95). O'Hara returns to Gibbsville in his best novel since Appointment in Samarra to tell the intimate story of three generations of one of the town's most prominent families.

• The Open Heart, by Edward Weeks (Boston: Atlantic-Little, Brown; $3.50). A book of quiet essays by the famed and literate editor of the Atlantic magazine.

• The Exurbanites, by A. C. Spectorsky (Lippincott; $3.95). A not-so-quiet study of a new never-never land of our society—the "country" beyond the suburbs whence many urbanites have moved as a part of their pattern for success.

• The Sound of White Water, by Hugh Fosburgh (Scribners; $3) is an out-of-doors novel about a canoe trip down a river.

• Green Pond, by Evan Brandon (Vanguard; $4.75). The story of a Carolina town through the years from the Civil War to the present.

• The Angry Hills, by Leon M. Uris (Random House; $3) will prove a diversion for the spy-thriller lovers. It's the Balkan-intrigue type, taking place in Greece in 1941, complete with Nazi agents.

• The American Treasury, edited by Clifton Fadiman (Harper; $7.50) collects bits and pieces of chiefly American writing, ranging from religion and essays to humor and advertising slogans.

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Christmas-tree needles will be ground into a carpet and stain it if left alone. Use a carpet sweeper often to pick them up. Also, remove pitch from carpet with dry-cleaning fluid. Use an eyedropper to get fluid directly on the pitch spots, then blot with a clean cloth. Use only a little solvent if rug has a rubberized back.

—•—

New relief for high blood pressure comes in a tablet combining the hypotensive drug, Methium, with the "tranquillizer," reserpine. Doses half as big as needed by either drug alone will control high blood pressure.

—•—

Manners and modes: The U. S. Treasury has the Christmas spirit—it won't start sending out 1955 tax forms until Dec. 27. . . . Your bartender may be urging a new mixed drink on you next year—as the result of a national bartenders' competition. Each entrant must submit two original drink recipes.

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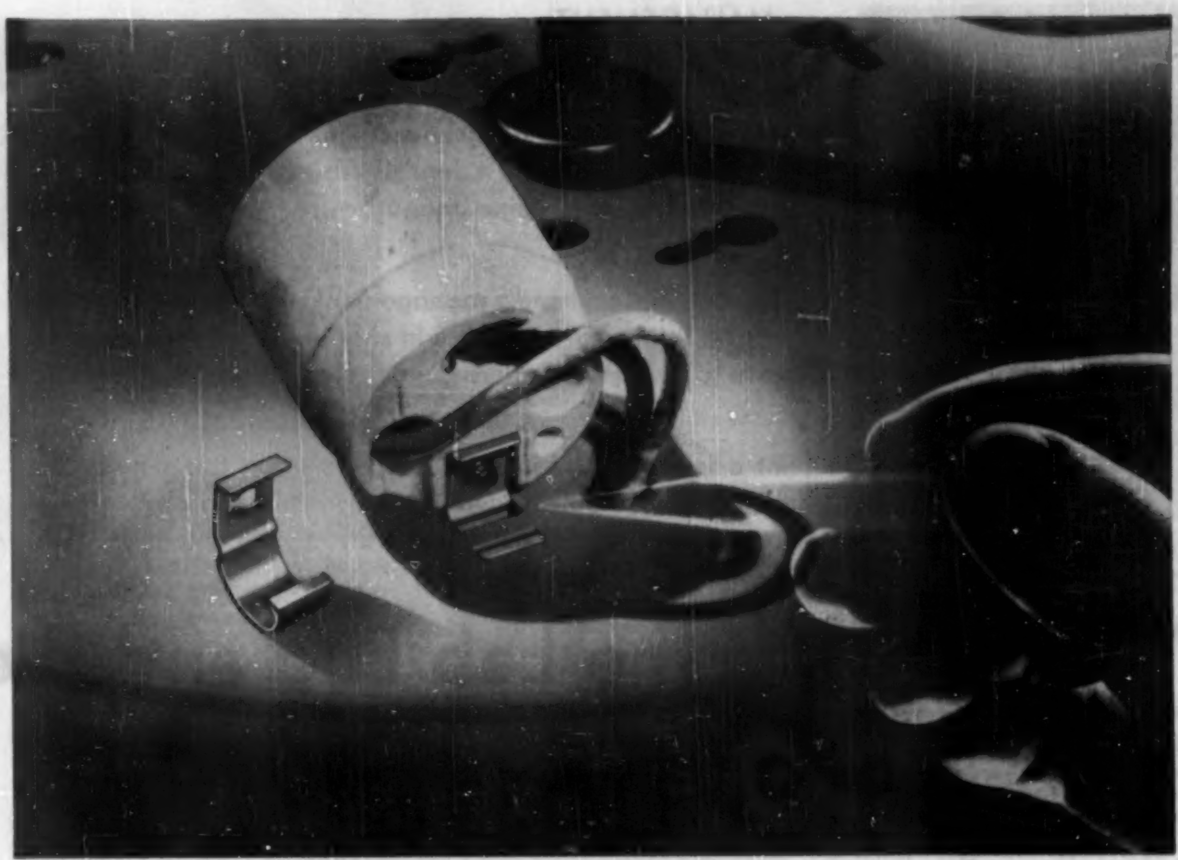

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MANAGEMENT

ELWOOD R. QUESADA, out as head of Lockheed's Missile Systems Div.

● The 15 top scientists who followed Elwood R. Quesada (left) out of Lockheed's missiles program take this stand: Only research scientists, using the most advanced technology, can guide manufacture of complicated new weapons.

● Lockheed's management, headed by Pres. Gross (right) thinks scientists should stay in lab, leaving manufacture to well-tried patterns under engineering control.

● This clash of scientist and engineer is a symptom of a fundamental issue that's developing for management as the technological revolution moves ahead and company research programs get bigger . . .

Where Does the Lab End and the

A major management problem—one that more and more companies are likely to run into—was pointed up last week when 15 top scientists left Lockheed Aircraft Corp.'s Missile Systems Div. over policy differences.

The problem is this: How can scientists and other highly trained technical people—operating on the frontiers of technology—be integrated into organizational setups geared to more familiar concepts of industrial and technical progress.

The problem is especially acute in the aircraft industry, where many aspects of fantastic new weapons are completely beyond conventional thinking and operations. But it's also coming up in almost any industry or business that sets up intensive research programs (BW—Dec.10'55,p130).

• **Basic**—Many people in management are likely to write the whole thing off by saying that long-hairs are hard to get along with, that they want to "take over." But the problem goes deeper. Frequently it becomes a fundamental issue over who will direct the research program—scientists who are hot to use new laws of nature only recently discovered or engineers operating in a more conservative manner.

Sometimes, as at Lockheed, the problem gets all involved in loyalties—to men with long service, to techniques that have proved successful in the past—and in questions of status. Then a stalemate develops, and a company is in trouble.

• **Lockheed Issue**—At Lockheed, the issue that precipitated the walkout boiled down to this: Who should have control of research problems, the aeronautical engineers or research scientists?

A spokesman for the scientists who walked out says they were placed in a position of being consulted only if the aeronautical engineers got in trouble. The scientists felt they should be working along with a missile project from its first conception. This spokesman argued that in the new areas of science that must be mastered for a successful missile program the aeronautical engineer doesn't know he is in trouble until it is too late.

In the end, the basic conflict over the question whether highly technical talent can be directed by aeronautical engineers proved unsolvable. So the walkout began.

First to leave was Elwood R. Quesada (picture), vice-president and general manager of the Missiles Div., who resigned last month. He resigned at the same time as a director of Lockheed Aircraft Corp.

Quesada was followed last week by Dr. Ernst H. Krause, director of the Research Laboratory Branch, and by the directors of all five laboratories and by numerous chiefs of subsections.

• **About-Face**—The statements surrounding Quesada's resignation indicated that Lockheed originally planned to set up the missiles program with the research projects under laboratory control. But the final policy put control of the projects in the hands of the engineers. Lockheed's new organizational charts pointed this up sharply. It was the release of the charts a little over a month ago that touched off the trouble.

In the new charts, the five research labs were over on one side of the Missile Systems Div. chart—so it looked to the scientists as if they were to be just a consulting library of information. All projects that the division was working on were lined up below the four engineering subdivisions, with the engineers controlling and directing every project. The research scientists had authority only over their labs.

Both the research labs and the engineering subdivisions are under the vice-president and general manager of the Missile Systems Div., who in turn reports directly to Robert E. Gross, Lockheed president (picture).

• **Battle of Statements**—Quesada, a former lieutenant-general in the Air Force, said on quitting as division head that he felt development of pilotless weapons required a vastly different approach from development of conventional commercial and military aircraft. Many of the problems, he argued, areon the frontiers of science, outside of the scope of the knowledge and experience available to the company before it set up the Missile Systems Div. and assembled a corps of research scientists. His point was the fantastic new weapons required new techniques and new technical skills which only the scientists could develop, but that the company elected to follow the same techniques that produced its present line of military and commercial aircraft —in other words, conventional aeronautical engineering practices.

ROBERT E. GROSS, Lockheed Aircraft Corp.'s top man, is president and chairman.

Plant Start?

The company said Quesada resigned over a divergence of opinion concerning what should be Lockheed's basic administration and operating policy for the design and development of pilotless weapons.

The management view: "As a company we feel we should not diverge from general patterns of operation which have proved successful for many years."

I. Scientists at Issue

Lockheed's side of the newest, mass walkout was spelled out by H. L. Hibbard, vice-president for engineering, who took up the reins of the Missile Systems Div. as well.

Hibbard gave as one reason: "We disagreed with the scientists on the extent of their responsibilities. Krause has said that our policy is to go ahead with missiles as an engineering problem, and when we get in trouble, call in the scientists. That is not so.

"Our position is that this type of work must be conceived and developed by scientists. That is why we have them. They think once the design is complete, they should carry it through the shop and be responsible for it until it is delivered to the troops. We think that there comes a time when the conceivers should give up their projects to the manufacturers and turn their attention to something new and startling. That is the way to make the best use of their talents."

Hibbard went on to say, "Our scientists, however, are not content to be just scientists. They want to be managers, too."

Hibbard said the scientists who stayed are just as competent as the ones who left, and that work would go on as usual. He said he had filled Krause's post with Dr. Louis N. Ridenour, former chief scientist of the Air Force.

• **Support**—This point of view is apparently supported by military officials in Washington. Commenting on the walkout, Asst. Air Force Secy. Trevor Gardner, the top research and development man, said:

"We're not concerned. None of our projects will be adversely affected by the resignations."

Krause tried unsuccessfully to get an appointment with Air Force Secy. Donald Quarles, couldn't even get him on the phone. He was also unable to see Gardner.

• **Principles, Not Men**—Another spokesman for the scientists quarreled with most of Hibbard's statement.

He emphasized that there was no problem with management itself:

"We have only the highest respect for Mr. Gross and his executives, and they've treated us very fairly."

For that matter, he said the departing scientists had no quarrel with the engineers—nobody appreciates engineers more than scientists. It was just that on the question of the technical approach to solving missiles problems, the two groups simply didn't communicate with each other. And the Lockheed management, say the departing scientists, felt it must be loyal to its old employees.

Conventional approaches were all right, the scientists say, until missiles came along. But with missiles, technology, instead of being evolutionary, becomes revolutionary. "We aren't talking about 800 or 1,000 miles an hour," said one man, "but 10,000 and 20,000 miles an hour. The missiles won't even fly in the same atmosphere as airplanes and we must completely replace the human being."

• **Industry Problem**—According to the scientists who left, Lockheed isn't the only aircraft company with the same problem.

Failure to use scientists properly, says a spokesman for the departing group, is the primary reason for the aircraft industry's failure to progress on long-range weapons programs, the reason the aircraft industry today controls only nine out of 21 major missile programs. He added:

"The aircraft companies simply have not recognized the true nature and magnitude of the problem. They are attempting to solve new problems, which require new and different techniques and skills, with the same people they have employed on more conventional undertakings. They have failed

What's your 1957 product problem?

What are you doing about your products to meet competition in 1957? Our versatile team of scientists and engineers often can bring a new approach and effectively supplement your own development work. Or we can take your ideas from scratch and suggest a program. We've worked successfully in many fields—appliance, automotive, medical, metals, textiles and others.

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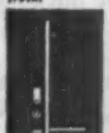

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to use the type of people that brought such profitable success to the famous wartime radiation laboratory at Massachusetts Institute of Technology.

"The aircraft industry—with one exception, Hughes Aircraft Co.—did not permit new people with new talent to assume new technical responsibilities essential to new requirements. As a result the aircraft industry has lost the favored position it previously enjoyed in long-range programs."

II. Walkouts Differ

There is an inclination to compare the Lockheed walkout with the big walkout of scientists at Hughes Aircraft Co. several years ago (BW—Sep.26'53, p34; Oct.3'53,p61). But the two are different in character.

At Lockheed the problem is a basic difference in philosophy over the technical approach to solving problems. The argument is entirely within the scientific-engineering group.

The Hughes clash, however, was not in the scientific area, but between top engineers and management. Howard Hughes, one of the first to recognize what scientists can do, had permitted his top scientists, Dr. Simon Ramo and Dr. Dean Woolridge, to recruit the broadest possible team of top-drawer scientists in all fields.

Together with managers, they made a team that boomed Hughes into the $200-million-a-year sales class and a virtual monopoly on airborne fire control systems. All this, however, was accomplished in the absence of owner Hughes. When Hughes sought to reestablish control, trouble started.

• **Scientists' Paradise**—When Ramo and Wooldridge set up their own successful company (BW—Jan.15'55,p66) they created a scientists' paradise in which practically every key company post is filled by an engineer or scientist.

Many other companies in the electronics business, however, feel that R-W's position is extreme.

Engineers and scientists at other companies do not agree that scientists should be managers, at least not on the policymaking level. They feel a scientist serves best in the laboratory, though generally they are in sympathy with the Lockheed walkout.

• **Convair**—A recent example of the over-all problem came at Convair Div. of General Dynamics Corp. Convair had lots of scientists on its Atlas missile program, but seemed to have none of the caliber who could take direction and drive the program through to completion. As a result, Convair lost the over-all control of the program. Soon after, it set about hiring, on either a permanent or a consulting basis, top scientists in all fields in the U.S. END

More Profits in Workers' Stockings

Profit sharing plans are growing fast now. Swing is to combination cash-and-deferred payment schemes, says Profit Sharing Council.

Christmas came one week early this year for the 1,236 well-heeled employees of Lincoln Electric Co., Cleveland manufacturer of electric welding equipment and supplies. It arrived last week, in the familiar (to them) form of a $5.4-million pay-out from the company. That was the total of their 1955 incentive bonus. It averages out at about $4,376 for each employee, though individual cuts are based on each employees merit rating.

The $5.4-million is just about 1% greater than Lincoln's total payroll for the year. So its employees, in effect, doubled their 1955 pay through the company's well-publicized profit sharing plan.

• **21-Year Slice**—Since Lincoln started its plan in 1934, its employees have collected some $58.8-million in incentive bonuses, and the company has spent another $5.9-million on retirement annuities.

Productivity is the key to the Lincoln plan. For 1955, the company's dollar sales will figure out to about $40,453 for each worker. That, says Lincoln, is three to four times the industry average.

I. Catching On

For years, Lincoln's spectacular results, in money and productivity, have made the company the focus of profit sharing interest. But, because the idea is spreading and growing, Lincoln may soon be eclipsed as the prime example of what a profit sharing plan can do.

To members of the Council of Profit Sharing Industries, a non-profit group that's the clearing-house for information on such plans, 1955 looks like the year in which profit sharing got up its biggest head of steam.

That prediction comes from the council's eighth annual conference, held at Pasadena (Calif.) on Nov. 9 and 10. More than 1,000 profit sharing zealots at the conference said that some 21,000 plans (covering between 1.5-million and 2-million employees) are operating now, compared with only about 2,500 in 1946.

• **Pay-Outs' Range**—Among these 21,000 profit sharing companies, distribution ranges from 5% to 50% of net profits. Generally, though, the melon that gets sliced among employees is between 20% and 25% of the net. Among the council's 900-odd members, the pay-out runs to about 10% of each company's payroll.

The melon is split in different ways, too. There are three main methods for dividing it. Some companies pay predetermined percentages of profits in cash at regular intervals. Others defer distribution so that the money will provide retirement, death, disability, or severance pay benefits. The third method is a combined, cash-plus-deferred scheme. This gives employees the advantage of cash payments, as well as deferred, but vested, interests in a large pool of money that may be invested while it's still in the hands of the trustees.

These combined plans are gaining popularity fast. Joseph B. Meier, executive secretary of the council, says about 20% of his organization's member companies have combined plans going now. Only 10% had them two years ago. Deferred payment plans (operated by about 42% of the 900 member companies) are still the most usual method, though. And straight cash payment plans come second—37% of the council's members use them.

• **Outgrowth of Taxes**—The gain in combined plans has been largely at the expense of cash distribution schemes. There are plenty of reasons for this. One is that in these days of boom, profits left in a trust can often grow remarkably through shrewd investment. For example, in 1954, Motorola, Inc., put $2.9-million into its deferred profit sharing treasury. In that year, profits already in the trust had earned $2.4-million—nearly as much as the company fed in from its 1954 profits.

Bigger companies have always been more partial to deferred plans. For one thing, they have the staff to administer the funds. Then, too, they work with bigger amounts of money, which have greater earning power when invested. It's the simplicity of cash profits sharing plans that have given them their greater appeal among small companies.

But there are variations from the general rule. Genisco, Inc., a small Los Angeles electronics equipment maker, set up a combination cash and stock plan three years ago. This year, Genisco shared its profits with its 50 employees by giving them half their payment in cash, the other half in company stock for a total of $56,000. The new stock pushed employee interest in the company up to 22% of outstanding stock. In a few more years, employees will own half the company. Meantime, the stock has gone up from $10 to $15 in two years.

II. Who Does It?

Electronics companies, like Genisco, are big users of profit sharing plans. make up about 6% of the Council of Profit Sharing Industries' membership. Only one other industry has more than a 1% representation on the council's list. This is the metal working industry. For reasons that mystify even the council's officers, metal working outfits make up one-third of the council's membership.

One possible answer for the metal working companies' big interest is that the profit sharing philosophy is catching. A big community of profit sharing companies has grown up around Lincoln Electric—which is near the heart of the metal working industry in Cleveland. The plans have shown how infectious they can be in California, too. In Los Angeles, Thomas P. Pike Drilling Co. started a profit sharing plan in 1948; now there are 160 council members in California, the largest representation from any state.

But, beyond their concentration in the metal working industry, it's hard to find any dominating threads among profit sharers. About half are using plans that cover all their employees. About half the companies have unions. The profit sharing companies range wide in type, size, and method of profit distribution. Rexall Drug Co. came into the field in the middle of this year with a plan that will eventually cover its 11,000 employees. Sears, Roebuck & Co. (whose employees now own nearly one-third of the company through a savings and profit sharing pension fund), Standard Oil Co. of Calif., Eastman Kodak Co., Procter & Gamble Co., Bank of America, Merrill Lynch, Pierce, Fenner & Beane—all these have profit sharing plans of one kind or another. **Philip Morris, Inc.,** came up with something of an innovation this year when it started a profit sharing plan covering both its regular and seasonal workers.

• **How Unions Feel**—These days, unions have little interest in profit sharing—unless they think employers are using the schemes as a device to bust unions or are trying to substitute profit sharing for fair wages or working conditions. If an employer pays going wages, provides good conditions—and shares profits—then that's all to the good, unions feel. END

In Management

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Penn-Texas Moves Into Electronics

With Acquisition of Hallicrafters

In a stock exchange involving about $6.3-million in securities, L. D. Silberstein's Penn-Texas Corp. plans to take over Hallicrafters Co. and put itself in the electronics and consumer goods fields. Through its subsidiaries, Penn-Texas already is a major factor in machine tool manufacture (Pratt & Whitney, Connecticut tool company), and is a newcomer in weapons (Colt Mfg. Co.). **Silberstein feels he can make Hallicrafters a power in the burgeoning guided missiles field by dovetailing its operations with those of Penn-Texas subsidiaries.**

Though emphasis will be put on military production, Hallicrafters' Pres. William J. Halligan (he stays with the company), denies any plans to abandon consumer lines. He points out his company will display new TV models at the Chicago furniture show in January. About half Hallicrafters' present production is military; the remainder is split between consumer products the company puts out under its own name and those that carry somebody else's label. Halligan has voiced a preference for the private label work "because it's all contract work."

Acquisition of Hallicrafters swells Penn-Texas' yearly volume to some $150-million and gives it the diversification and size it has been seeking since 1951 when it was a coal company with $6-million in sales. Now under the Penn-Texas umbrella are subsidiaries in coal mining, uranium, heavy equipment, oil and gas, shipping, wire and cable, warehousing.

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AMA Surveys Give and Take

Of Business Xmas Gifts

Taking a quick and random reading on current business feeling and practice about business Christmas gifts, the American Management Assn. finds that more than half of 75 sales managers it queried give Christmas presents to customers. However, most managers report some of their customers refuse to accept any presents whatsoever. **About one half of the givers say they send gifts because it is customary and expected. Another third do so in appreciation for past business or as a remembrance to friends.**

On the other hand, you find non-gift givers claiming that the effect of Christmas gifts on business does not justify the expense and that a number of customers actually dislike the practice and say so.

AMA's surveyors found a strong percentage of anti-gifts feeling among the recipients of business gifts. Of 35 purchasing agents questioned, 16 report either a personally initiated or a formal company policy discouraging the acceptance of gifts from suppliers. Chief reason for this policy: Companies do not want their employees obligated to a supplier or a buyer's judgment compromised. This "no gift" policy is most common in larger companies, says AMA.

Those who accept gifts contend that, in spite of any discouragement, suppliers will continue to send presents. Says one buyer, "As long as close to 80% of the business community feels there is nothing wrong or immoral in giving modest gifts at Christmas time, a policy contrary to public opinion merely means that the practice is driven underground where it can no longer be controlled."

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Allis-Chalmers Is Cited

For Helping Alcoholics

Last week in a special ceremony, the Wisconsin Council for Alcoholism gave Allis-Chalmers Mfg. Co., Milwaukee, a public citation for its program of rehabilitating the drunk in industry (BW–Jul.10'48,p25).

Actually, though A-C is one of the leaders, quite a few firms, such as Eastman Kodak, Consolidated Edison Co., and du Pont, have been operating extensive programs in this field (BW–Mar.13'54,p103).

According to the Yale Center of Alcoholic Studies, there are about 3-million alcoholics in the work force and a great many more problem drinkers.

A company wishing to help alcoholics usually can spot them pretty quickly—the most noticeable symptom being a high incidence of absenteeism, usually in the 35-50 age group.

A-C stresses the thing most needed in organizing a program to help alcoholics is to convince management (1) that it is an important job and (2) that it is a management problem. The next step is convincing employees of the integrity of the company's efforts to help.

In A-C's case, H. A. Mielcarek, manager of personnel services says, "You know you're on the right road when problem drinkers come into the office voluntarily asking for help."

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Management Briefs

Studies of 91 cases of "overwork" stress by the University of Nebraska's College of Medicine showed only seven were produced by excessive work load. The others were attributed to driving bosses, and lack of recognition. Cases studied ranged from a vice-president to secretaries and laborers.

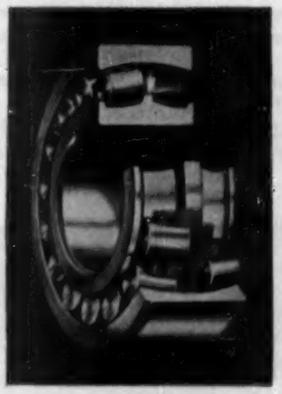
Business is still digging into its pockets to help pay the costs of education. Recent contributors include E. I. du Pont de Nemours & Co., $900,000; Pittsburgh Plate Glass Co., $462,000; Young & Rubicam, New York advertising agency, $100,000.

RKO Radio Pictures, Inc., outbid—at a price not named—other movie producers for film rights to Cameron Hawley's Cash McCall (BW–Dec.17'55,p104). The price was pushed up by active bidding, probably above the $250,000 that the movies paid for Hawley's earlier novel, Executive Suite.

TORRINGTON *Spherical Roller Bearings are used in every kind of heavy duty application requiring high load capacity, resistance to shock and wear under conditions of misalignment.*

TORRINGTON Spherical Roller Bearings

are designed with integral center flange on inner race to provide positive radial stability and positioning for thrust loads



This center flange guides the rollers accurately and friction is reduced to a minimum.

Other performance-building features include accurate geometrical conformity between races and rollers to provide ultimate load carrying capacity; carefully heat-treated races and rollers for maximum resistance to shock and wear; one-piece machined bronze cage for each path of rollers to allow thorough lubrication and give freedom of operation.

These are some of the reasons why TORRINGTON SPHERICAL ROLLER BEARINGS give long, satisfactory performance.

TORRINGTON SPHERICAL ROLLER BEARINGS are available from stock with either straight or tapered bore, for shaft or adapter mounting.

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TORRINGTON SPHERICAL ROLLER BEARINGS

Spherical Roller • Tapered Roller • Cylindrical Roller • Needle • Ball • Needle Rollers

Whee! It's graduation day at the National School of Heavy Equipment Operation. The four-week course stresses efficient maintenance of the big machines.

School for Earthmoving

The happy crew in the picture above have just won their diplomas at the National School of Heavy Equipment Operation, near Charlotte, N. C. For four weeks, they have boned up on the care and operation of earthmovers—partly through lectures: preventive maintenance, safety, machine functions, principles of grading—mostly in the field, operating tractors, motor graders, cranes, and shovels.

The school opened last April. This week, its 188th graduate steps down from his tractor. Men have wandered in from 23 states, plunked down around $300 each to learn the trade.

Partly, this response is due to the fact that there is no school like it in the U.S. independently owned, open to the public. But, its success is probably due even more to the critical shortage of skilled operators.

• **Keep 'em Running**—Archie N. Carter, manager of the Highway Div. of the Associated General Contractors of America, goes to the core of the problem. Carter says there is no real shortage of men who can make the equipment go; but there is a real shortage of men who know enough about their trade to operate and maintain their machines so that they perform efficiently and economically.

Steps are being taken to increase the nation's pool of trained operators. Most equipment manufacturers run service schools to acquaint operators with their equipment. However, these courses are generally short—a few days; enrollment is limited; and—the big drawback—the men are already operating equipment before they get a chance to go to school. This means that these operators must first be taught to forget the bad habits picked up on the job. At the Charlotte school, most of the men start from scratch. Many have never driven a tractor before.

The insurance companies are teaching, too; issuing publications designed to explain safe operating procedures. Also, the International Union of Operating Engineers (AFL-CIO) has an apprentice training program for new members.

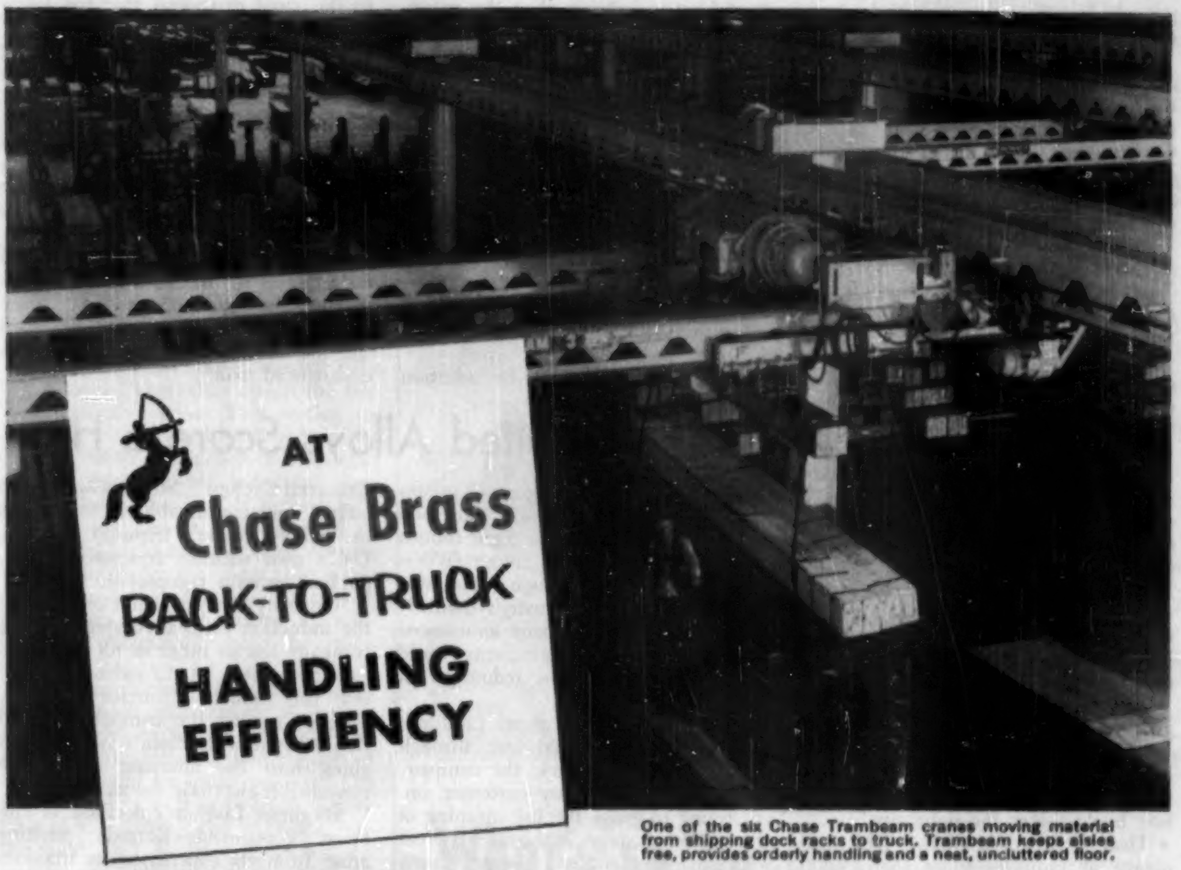
• **Demand Runs Ahead**—With all this, the development of skilled operators has not kept pace with demand. There are two-and-a-half times as many heavy tractors, scrapers, cranes, and shovels in operation now in the construction industry than there were just 10 years ago. In the last five years, according to the Commerce Dept., over $3-billion has been spent by contractors for new earthmoving equipment.

Unless a contractor has skilled men to protect his investment, he risks heavy maintenance costs. Some contractors spend as much as $30 a day to repair and maintain each large tractor after an 8-hr. shift. For every hour that a heavy shovel works, it costs $12 to keep it running well. On a road-building job, contractors spend $13 a day to repair each large dump truck. The construction industry's maintenance and repair bill this year will exceed $1-billion.

"You should see what they're doing to some of our equipment," says the service manager of one of the big crane and shovel manufacturers. "Contractors have to hire cowboys instead of skilled help."

• **Woodland Campus**—Gilbert S. Shaw had heard men talk that way. Also, he had heard contractors grumble that they couldn't fill out their crews. Two years ago, Shaw turned a 71-acre woodland into his campus, set up the National School near Charlotte. He

THE CLASSROOM, for a good two-thirds of the course is the open field, where giant machines are maneuvered and coaxed. There are indoor lectures, too.



One of the six Chase Trambeam cranes moving material from shipping dock racks to truck. Trambeam keeps aisles free, provides orderly handling and a neat, uncluttered floor.

TRAMBEAM expedites stacking, loading

Six Trambeam Overhead Handling Systems at the Cleveland Mills of the Chase Brass & Copper Co., load twelve trucks simultaneously. Neat dock-side racks are previously stacked with ready-to-ship material by these Trambeam cranes . . . then they load the material as needed onto the trucks. Each crane is push-button controlled and operated by one man, assuring fast, easy handling. Later, should Chase wish to increase shipping speed even more, another crane can be added to each system and both racking and loading can then be done at the same time. Many other Trambeam systems are in operation at the Chase Cleveland Plant and Chicago and Los Angeles Warehouses—all doing specialized handling jobs—proving the versatility, efficiency and economy of the Trambeam method.

Trambeam flexibility can be applied to your operations for fast, low-cost handling. Write for our catalog and the name of your Trambeam distributor . . . his experience in planning overhead handling systems—large or small—will save you money and assure desired results.

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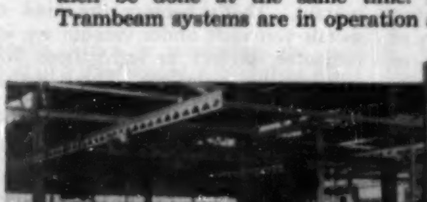
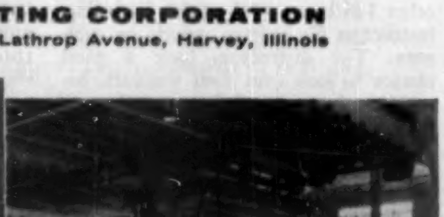
15661 Lathrop Avenue, Harvey, Illinois



Chase Brass & Copper Co. makes full use of overhead space with versatile Trambeam, here shown moving 2000-lb. coils in plant interior.

WHITING
TRAMBEAM



A view of Trambeam operation at Chase shipping docks from the Trambeam-stacked storage racks.

put ads in a few magazines and set up three courses, each to run four weeks.

The first course teaches operation and maintenance of the crawler tractor and the self-propelled and tractor-drawn scraper. The second teaches the operation of the motor grader. The third specializes in crane and shovel work, the most difficult of operating craft.

In those early classes, most of Shaw's students were paying their own way. Now, he says that contractors are beginning to enroll men from their payrolls.

• **Guest Experts**—The men work with a quarter-of-a-million dollars' worth of equipment, much of it leased to the school by manufacturers. In class the men hear from specialists who come in as guest speakers: a telephone company man, who points out where to expect to run into underground cables; an oil company representative, who talks about lubrication schedules and lubrication procedures; a fire chief, who tells how to combat different kinds of fires.

Says Everett Kendrick, the school's director of field training: "We emphasize preventive maintenance, grading, safety, quality of work. We can't turn a man into the best operator in the business in just a month, and we know it. But the men are learning how to do things the right way."

• **Heavy Schedule**—Shaw has had plenty of inquiries—more than 5,000 so far—but he holds his classes down to 30 men per month, requires that each applicant pass two mechanical aptitude tests before he is admitted. Also, each man must agree to follow three rules: no gambling, no hard drinking, no smoking during class work.

The school day begins at 6:30 a.m. Depending on a set schedule for any given day, a student spends from a half-hour to several hours in class. Over the four-week stretch, he will listen to some 70 hours of lecture, put in another 148 hours in the field. Each day, instructors file written reports on each man. The instructors have a good chance to look over their students, because each group of five men has its own instructor.

• **Graduation**—Ceremonies at graduation time are almost as popular with contractors as with the graduates. Contractors from all over the South come to the graduations. They watch each student go through an exercise—from lubricating his rig to putting it through a workout. After the graduation ceremonies, contractors and graduates get together over a cup of coffee. Many are hired on the spot.

Of course, no one school is going to wipe out the manpower problem of an entire industry. Neither will the short-duration schools that the manufacturers conduct. The training program of the International Union of Operating Engineers can handle great numbers of apprentices, but the union itself says that it has run into difficulties.

Says one union spokesman: "Apprentices get little chance to practice, because—after all—there is only one seat on a tractor, and it is occupied by an operator who is producing for the contractor. Contractors can't afford to let a man practice on an expensive machine that must keep operating to pay for itself."

• **Reasons for Shortage**—In addition to the rapid expansion that has taken place in the use of earthmoving equipment during the past 10 years, there are two other factors that have contributed to the shortage of able men.

The big earthmoving rigs, especially scrapers, are rough on the men who operate them. Like an athlete, a man finds that he cannot keep the pace for many years. Also, because skilled maintenance men are so scarce, a contractor often is forced to pull a good operator off his machine and put him in the shop—good operators often are good maintenance men. His place on the machine is then taken by a less experienced man.

Vacuum-Melted Alloys Score a Hit

Two months ago, Allegheny Ludlum Steel Corp. completed a new melt shop with a capacity of 125 tons per month of vacuum-melted super alloys (BW—Oct.22'55,p98). Although this was about 10 times the industry's monthly consumption, the company announced hopefully that its new capacity could be doubled in 90 days, redoubled in 90 days more.

Six weeks later, Allegheny Ludlum's new capacity was sold out through March, 1956. This week, the company was completing a hasty customer survey trying to gauge the full meaning of this amazing surge of business. Next week, management will decide exactly how large its expansion will be.

• **Ice Broken**—Allegheny Ludlum's situation merely emphasized speculation in the trade that the fourth quarter of 1955 may prove to have been the point of breakthrough for vacuum-melted super alloys. Customers seemed not just ready but even anxious for them—despite their high prices. And the supply was growing, too.

Vacuum Metals Corp., a jointly owned subsidiary of Crucible Steel Co. of America and National Research Corp., has just completed the country's largest vacuum furnace, a 2,200-lb. unit, at Syracuse, N. Y. It's the latest entry in a race in which the capacity of vacuum furnaces—and the number of commercial units, too—has risen spectacularly over the past 18 months.

For several weeks, Allegheny Ludlum has been asking the customers exactly why they have placed orders so avidly. But it believes the answer lies not only in the large amount of product it can produce but also in the large dimensions of the product it can offer. This, in turn, is traceable to its melting process.

• **Winning a Bet**—Unlike other producers, Allegheny Ludlum bet its bundle on consumable-electrode vacuum-melting. The trade generally is using induction vacuum-melting, although Universal-Cyclops Steel Corp. has melted some consumable electrode heats in Mallory-Sharon's titanium furnaces. U-C's own vacuum equipment is induction vacuum equipment.

Allegheny Ludlum is not overlooking the induction furnace completely. The company has an order in for one now. But it is quite clear to industry people that this induction furnace is merely a hedge against the competition, and that Allegheny Ludlum's big stake is going into the alternate choice—the consumable-electrode furnace.

Allegheny Ludlum's decision to embrace consumable-electrode melting arose from its experience in titanium and zirconium production, which is a double-melting, vacuum-reduction process. It took considerable work to adapt the titanium melting cycle to ferrous metallurgy, and this made Allegheny Ludlum something of a latecomer to the market. But the company is confident it has a real jump on the trade, nevertheless.

For example, Allegheny Ludlum swears it has melted 5,000-lb. ingots up to 20-inches in diameter. This, the company figures, puts it nicely ahead of other vacuum melters.

• **Size Counts**—Size of product is important. That's because the kind of metals you melt under vacuum are inordinately subject to segregations and non-metallic inclusions. These gather in the center of the ingot. In any quantity, they render an ingot useless for the severe high-hot-strength requirements imposed by jet engines and other applications using vacuum-melted material.

It's a problem you can lick if you keep your ingots small enough. But, increasingly, small ingots won't do. Ingots are castings. Before they can be used in highly stressed parts, they must be hot-worked—either rolled or hammered—into a cross-section no more than half the original. Thus, if the best you can melt is a 6-inch ingot, the best

you can sell is a 3-inch billet. It's pretty difficult to forge, say, a 15-inch gas turbine wheel out of a 3-inch billet.

• **The Squeeze**—So vacuum melters are being squeezed between a market demand for larger and larger ingots and the metallurgical problems of producing them. Allegheny Ludlum is sure it has the answer in consumable-electrode melting. Said one of its people last week: "I never saw so many orders for this kind of material. And the size-pattern looked mighty good to us."

Ordinarily, vacuum melters make the best heat of metal they know how to produce in a conventional air-melt electric furnace. Then they remelt the material under vacuum. This further refines the material and vastly reduces its gas content—a serious source of failure.

• **Two Methods**—In induction vacuum-melting, the heat is melted in a crucible and cast in a mold, both of which are enclosed in a large vacuum tank. The larger the ingot, the larger is the tank that must be evacuated. And there's a risk of picking up nonmetallic contaminants from the crucible.

Consumable-electrode vacuum-melting starts with an electrode of the air-melted metal to be refined. Only the bottom of the electrode and the top of the ingot mold are under vacuum. The process effects a layer-by-layer deposition of metal from the electrode into the mold. In the process, gases and impurities are volatilized and withdrawn as in induction melting.

PRODUCTION BRIEFS

A synthetic rubber plant will be built near Odessa, Tex., as a result of an agreement between General Tire & Rubber Co. and El Paso Natural Gas Co. The multimillion-dollar plant, which will start operations around July, 1957, will have an annual capacity of over 40,000 tons.

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South Africa is producing gas from coal in a state-owned, $85-million plant. The quality of gasoline is said to be satisfactory. South Africa now has to import all of its oil, but the plant is expected to produce one-sixth of the country's needs—55-million gal.—when technical problems are overcome.

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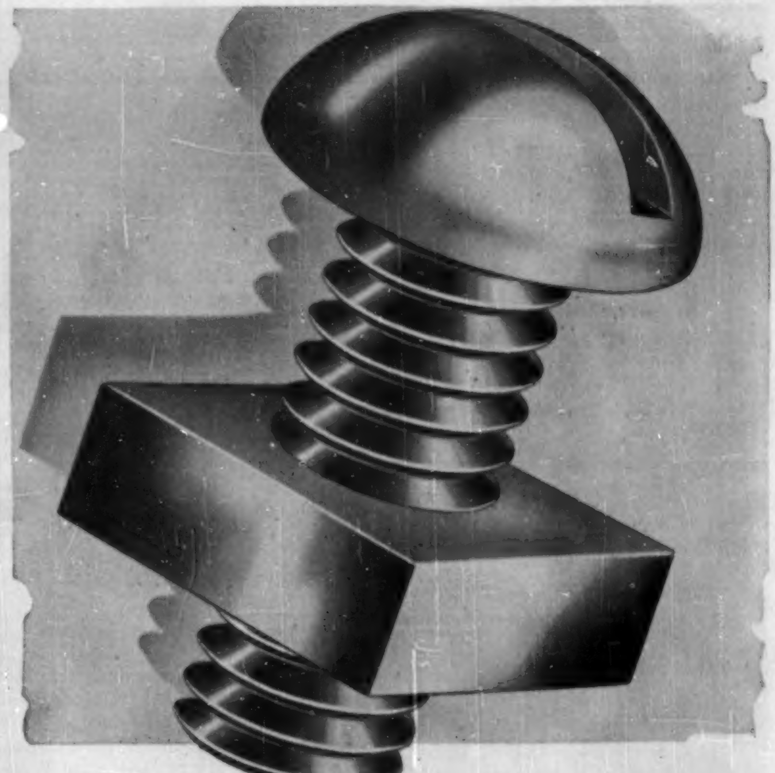
Glenn L. Martin Co. announced that it will construct a new plant on a 4,000-acre site near Denver. The plant, scheduled for completion in 18 months, will employ 5,000 workers. Unconfirmed reports are that Martin will build intercontinental missiles for the Defense Dept. at the site.



What's so "Special" about this "Standard"?

This is an ordinary stove bolt—A "Standard" fastener in the jargon of the bolt and nut industry.

But there's something "special" about it, too. That something "special" has to do with the many extra values Lamson & Sessions offers its customers over and above high product quality.

For instance, behind every Lamson fastener are research facilities and engineering talent unexcelled in the industry.

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There's an awareness on our part that the customer deserves the best in efficient service . . . minus costly mistakes in fulfilling specifications or shipping.

Finally, there's that feeling of confidence our customers enjoy, based on Lamson's 88-year reputation for fair and honest dealing.

These are just a few of the "specials" Lamson & Sessions delivers to its customers . . . even when they buy "Standards".

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NEW PRODUCTS

The Latest in Escapes

The man is coming down an oil derrick by means of an escape line developed to permit a safe descent—even for an injured man—according to the manufacturer, Dykes, Inc., Houston, Tex.

The line is equipped with a device that allows easy braking, even on steep slopes. A counterweight gives additional braking. The escape line was developed especially for drilling barges and platforms, and is designed so that workers can attach themselves to it, while still holding a derrick or standing on a platform.

Users are given more confidence in the device since they do not have to climb out over open space to get on.

• *Source: Dykes, Inc., Houston, Texas.*

Timber Shaver

This odd-looking machine is actually the latest and fastest in brush and timber clearing tools. Mounted on a 200-hp. diesel tractor, the V-shaped cutter is 13 ft. long, 14 ft. wide, and is constructed from 1½-in. steel. The blade acts as a saw-tooth and will cut off the brush and timber close to the ground. There it was assembled by the Wade Lahar Construction Co., Mountain Home, Ark., and is being used to clear 23,000 acres of timber for a reservoir at the Buford dam site in Georgia. A pipe canopy helps protect the op[illegible]r from falling timber, and also relieves stresses on the tractor.

• *Source: International Harvester Co., Chicago, Ill.*

Marble in the Home

Marble tiles for wall and floor—thin small units of quarried marble—are now available for home installation at prices competitive with other tiles at about $3 per sq. ft. installed. Eighteen kinds of Vermont marble are used to make the tiles. As the picture shows, no two pieces of tile are alike; marbles have different designs. Interesting patterns can be made in bathrooms and kitchens. The tiles come in different sizes; the marble surface is well polished, and is easy to clean.

The marble used is cut just ¼ in. thick. This lightens the marble sufficiently, so that its added weight will not create a structural problem.

• *Source: Vermont Marble Co., Proctor, Vermont.*

NEW PRODUCTS BRIEFS

Incandescent sparks from the exhaust of internal combustion engines are trapped by centrifugal force by a device developed by Erikson Products Co., San Francisco. The spark arrestor, costing $40, will be used by United Air Lines on the trucks it operates at its maintenance bases to reduce fire hazards.

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A two-way radio for vehicles that allows the driver to monitor two different radio frequencies at the same time has been developed by General Electric Co. Mobile radio operators will be able to hear messages from other mobile units instead of from the base station only, as is the case now.

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A truck tire for winter driving using wire tread construction, is being produced by Goodyear Tire & Rubber Co., Akron. A multitude of small steel claws imbedded in the tread are said to provide better traction on icy highways.

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An electronic device that is said to compute the course of a vessel and indicate its position regardless of weather conditions has been developed by Belock Instrument Co., College Point, N. Y. Navigators have only to "feed" original longitude and latitude, speed, and direction of current to the instrument, which then takes over.

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The Agricola, a specially designed plane that spreads chemical fertilizers, is being used in New Zealand to improve the quality and yield of pastures. The object is to increase meat production. The airplane is being produced by the Auster Aircraft Ltd., Leicester, England. It can be flown at an altitude of 50 ft., and requires a take-off run of only 250 ft.

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Plastic-coated paper cups, for use in vending machines that serve up hot beverages are being manufactured by Lily-Tulip Cup Corp., New York. The company says the new cups will not alter the flavor of hot drinks, a problem the paper cup industry has been trying to lick for a long time. The cups also have special rims for easy dispensing.

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A completely automatic machine for deburring and surface finishing parts for automatic transmissions that require superior finish is being manufactured by Osborn Manufacturing Co., Cleveland, Ohio. The first user of the machine is Detroit Transmission. Cost: about $50,000.

THOMAS J. WATSON, JR.

Portrait by Fabian Bachrach

"IBM was one of the first companies to . . ."

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In Regions

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Suburban Veto on Re-Zoning Gives Ford the Cold Shoulder

COLUMBUS—The $45-million steering-gear plant that Ford Motor Co. planned to build on the city's far north side is apparently out. And the city council, itself, has supplied the shove into the cold.

By a 4-to-3 vote last week, the council turned down a bid to re-zone a 403-acre tract, part of which would have been the site for the Ford plant. The land, which has no heavy industry now, lies just east of the main line of the Pennsylvania RR, across the tracks from Clintonville, an upper-middle class suburb.

The Ford plant drew heavy fire right from the start from north-end residents. Despite the pleas of the Chamber of Commerce, labor-union heads, and many businessmen that loss of the factory might mean a serious setback to the city's industrial development, suburban dwellers contended that the re-zoning would do far more damage than good to their neighborhoods. One of their big talking points was the fact that the Pennsylvania RR, which holds the option on the 403 acres, hadn't disclosed how it would develop the remaining acres that Ford didn't take. The railroad's stand was simply that they would be turned over to industries "compatible" with Ford.

The council's vote, after a jam-packed hearing, apparently amounts to a complete victory for the suburbanites. Ford has said it considers the decision final, although there is a slight chance that it might delay taking the plant to another city until the council is reorganized after the first of the year. Two of the newly elected councilmen are believed to favor re-zoning.

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Study Finds Tax Earmarking Does More Harm Than Good

NEW YORK—The Tax Foundation last week put out the findings of a long look it has been taking at state taxes and the trend toward earmarking more and more of them for specific purposes. Its conclusion: Earmarking is seriously undermining legislative control over spending.

The foundation, a private, nonprofit research organization, figures that, in fiscal 1954, half of total state tax collections had to be spent for specific services—highways, education, welfare, or general local needs. In 24 states more than half of the total take was earmarked, and in six of these—Alabama, Colorado, Kansas, Louisiana, New Mexico, and Texas—upwards of 75% of revenue had strings on it.

Only Delaware, the foundation says, had no constitutional or statutory provisions restricting the spending of its 1954 income. In the much-debated area of highway-user taxation, it found the tax take is earmarked "almost without exception."

The bulk of this state ticketing of income, the foundation says, is the result of legislative decree. It feels that initially there may have been justification for some of it, but that the practice has now spread "beyond all logical boundaries." The fact that legislatures control only 50¢ of each dollar of income, it says "imparts an unhealthy rigidity to state budgets. . . . The abolition of

revenue earmarking would constitute a substantial step."

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Merchants End Deadlock Over Civic Center Site

DETROIT—It looks as if the city is at last going to be able to get on with its Civic Center—and keep its wholesale merchants, too.

Most of the wholesalers have their offices along the downtown banks of the Detroit River, smack in the middle of the land picked for the city's proposed $24-million Convention Hall & Exhibits Building. **When plans for the hall were first announced, some 40 of the merchants banded together and threatened to move outside the city limits if a new spot wasn't provided for them.**

In land-scarce Detroit, the best the city could offer was space in a 71-acre tract, called Corktown, which is now slated for redevelopment. But Corktown won't be ready for relocation for at least three years. In the meantime, the city would have to hold up on the Convention Hall. The wholesalers refused to move twice.

In the end, it took the wholesalers themselves to break this deadlock. Two of them—Richard Cohen and his father—made the move by buying up an old warehouse just a step away from the present district. Now they have announced plans to turn it into a merchandise mart with space enough to house 25 to 40 firms.

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Regions Briefs

A municipal port authority is now planned by Erie, Pa., to fill in until a state authority is set up. A port study, just completed, calls for a first-stage improvement program to cost $5-million.

The tallest building in the British Commonwealth—38 stories—will go up in Toronto, with work slated to start early next year. Yolles & Rotenberg, the builders, will top the old titleholder—Toronto's Canadian Bank of Commerce—by four stories.

No school shutdown is the pledge of Alabama's Gov. Folsom despite the overwhelming defeat of school-financing amendments at a special election. In all, voters turned down 28 of 29 amendments, including one for a special income tax.

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Business Week—December 24, 1955

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Value Added by Distribution

A relatively new phrase is creeping into common usage. It is "value added by distribution," which to many is merely a high-flown way of saying the cost of distribution. The two mean the same thing, namely the spread between the price that the producer asks for his product and the price the consumer finally pays.

The new phrase began to take hold a few years back when a committee of the American Marketing Assn. made a study which found that "value added by distribution" is nothing more or less than the counterpart of the older, accepted phrase "value added by manufacture." Most recently the new phrase has popped up in the Harold Barger study, Distribution's Place in the American Economy since 1869 (BW–Dec.3'55,p166).

Semantics? Yes. But there is a valid point involved nonetheless. Many people have difficulty grasping the idea that any product has two values, one on the factory loading platform and another one on the store shelf.

This ambivalence in price is the nub of the misunderstanding. Manufacturers are frequently appalled that the widget that costs them $5 to produce ends up with a $9.98 price tag on it. A 50% distribution cost—which is roughly what over-all distribution cost is estimated to run—seems much too high and often, it is.

But the point is that what they are dealing with is some intangibles, the so-called utilities of time, place, and possession, which is what distribution and marketing are really about. Bathing suits stuck in a South Carolina factory have not much more than scrap value to people in Miami wanting to frisk in the surf.

To make the bathing suit valuable in Miami, someone has to package, ship, collect, sort, advertise, mark, display, and deliver the bathing suit.

What is the true measure of these costs? Are they rising or falling? Is distribution less or more efficient than it has been? Unfortunately, despite the efforts of Barger and others, the data is still skimpy.

There is now reason for hoping that this gap may soon be closed. One business organization is analyzing the labor content of distribution functions to determine comparative costs. And in the past few weeks another group of scholars and businessmen has been set up at Columbia University to study distribution costs.

Furthermore, the Twentieth Century Fund is now deep in its comprehensive study of distribution. This is the follow-up to the fund's famous study in the 1930s, Does Distribution Cost Too Much? It may give us a lot more data on the functional costs of distribution.

Executive Pay

America's top corporate executives, according to a survey made by the American Management Assn., received only a 1.8% increase in compensation in the last year. This included salaries, bonuses, and company contributions to retirement funds.

In contrast, hourly paid workers got a 5% increase in wages, without including fringe benefits.

There's a sizable differential between the compensation paid the executive and the worker. But if last year's ratios were maintained for a generation, the differential would be wiped out. Then about the only compensation for being an executive instead of a worker would be a private office, a secretary, and a set of ulcers.

The Bear and the Slide Rule

Americans have had no difficulty in recognizing the ruthless drive of Russia's masters or the massive military strength at their disposal. But for Soviet accomplishments in the technical and scientific field there has been something like contempt, except in very limited circles.

Our blind spot was not entirely removed by the performance of Russia's MIG aircraft in Korea or even by Soviet mastery of the H-bomb. Now, information is coming to light on the tremendous scope of technical education in Russia.

The bare facts can be stated simply: Last year Russia's engineering schools graduated some 53,000 engineers—more than the U.S. has ever graduated in any one year and more than twice as many as we graduated last year. A recent study published by the National Science Foundation—Soviet Professional Manpower: Its Education, Training and Supply, by Nicholas DeWitt—gives a comprehensive picture of the engineers and scientists it produces (BW–Nov.19'55,p41).

The great majority of Soviet engineers are specialists, trained to become cogs in Russia's totalitarian industrial machine. That doesn't prevent the Soviet system from turning out broad, creative engineers and inventors. The top scientists of the U.S. Air Force know this. They do not think that Russia as yet has passed the U.S. But they are convinced the Russians are dedicated to that task, while we are approaching the competition with at least a tinge of indifference.

William Benton, publisher of the Encyclopedia Britannica and former Democratic senator from Connecticut, has just spent several weeks examining Soviet education. His first-hand documentation confirms the conclusions reached by DeWitt and the Pentagon scientists.

It isn't just the military implications that are cause for concern. Already the Russians are using their technicians to spearhead a penetration of the underdeveloped countries of Asia. It is not impossible that in another 10 or 20 years the Soviet will be producing goods that undersell the U.S. in world markets.

It is surely time that every American, above all our business leaders, faced up to this situation.

Photograph by Mechling

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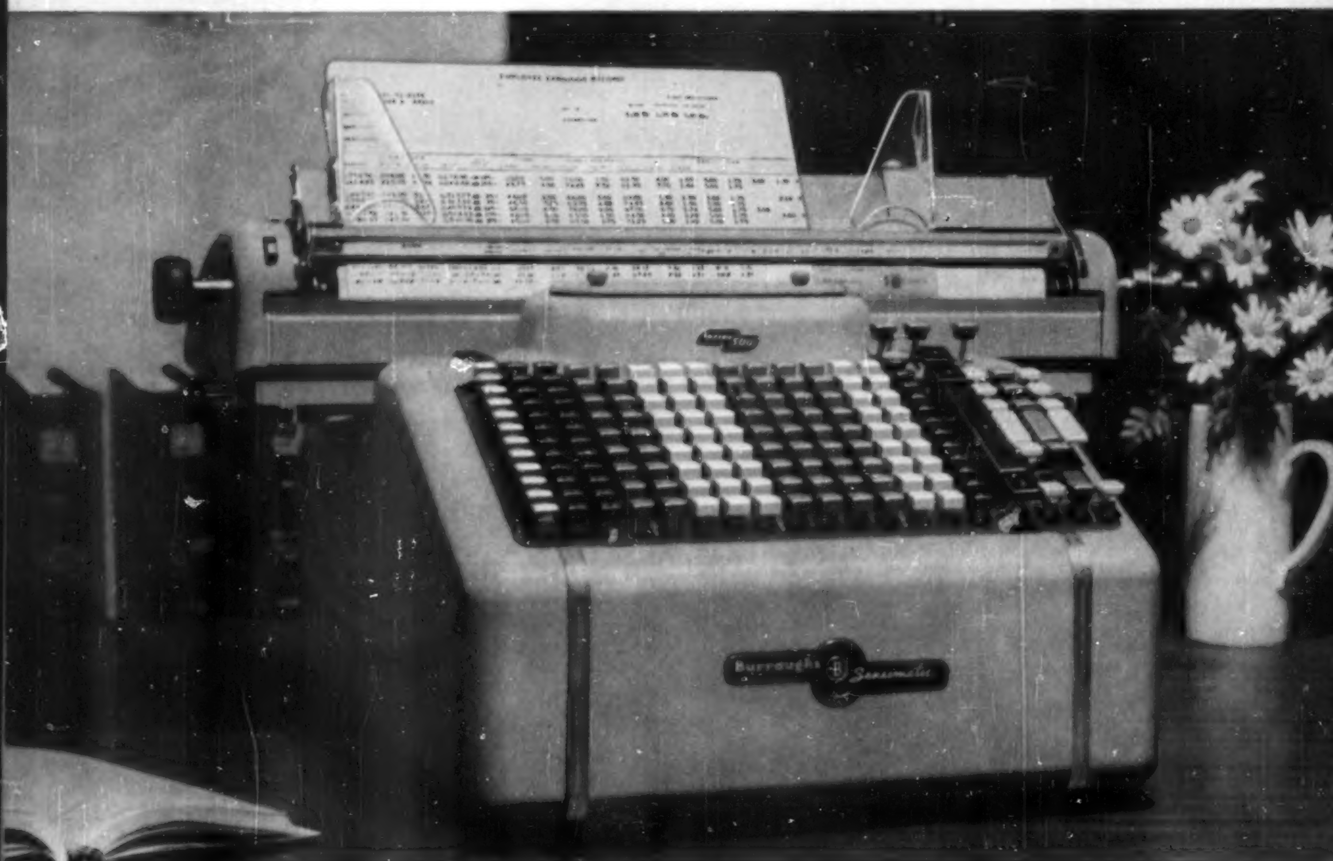

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